



TAX MEASURES



REINVIGORATING THE ECONOMY, DRIVING REFORMS, AND PROSPERING THE RAKYAT

List of Appendices

- 6 APPENDIX 1**
REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON MEDICAL TREATMENT
EXPENSES FOR SELF, SPOUSE AND CHILD

- 9 APPENDIX 2**
REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR DISABLED PERSON

- 10 APPENDIX 3**
INDIVIDUAL INCOME TAX RELIEF FOR SPORTS ACTIVITIES, HEALTH
AND ELDERLY CARE

- 13 APPENDIX 4**
EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON CONTRIBUTION
TO PRIVATE RETIREMENT SCHEMES AND DEFERRED ANNUITIES

- 15 APPENDIX 5**
REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON EDUCATION
AND MEDICAL INSURANCE


- 16 APPENDIX 6**
EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON NET SAVINGS
IN THE NATIONAL EDUCATION SAVINGS SCHEME

- 17 APPENDIX 7**
INDIVIDUAL INCOME TAX RELIEF ON HOUSING LOAN INTEREST
PAYMENT FOR FIRST RESIDENTIAL HOME

- 19 APPENDIX 8**
EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR NURSERY
OR KINDERGARTEN FEES

- 20 APPENDIX 9**
INDIVIDUAL INCOME TAX RELIEF ON EXPENSES FOR THE PURCHASE
OF DOMESTIC FOOD WASTE COMPOSTING MACHINE

- 21 APPENDIX 10**
IMPOSITION OF TAX ON DIVIDENDS RECEIVED BY INDIVIDUAL SHAREHOLDERS
- 24 APPENDIX 11**
TAX INCENTIVES FOR IMPLEMENTATION OF E-INVOICING
- 26 APPENDIX 12**
EXTENSION OF TAX DEDUCTION FOR SPONSORSHIP OF SMART ARTIFICIAL INTELLIGENCE DRIVEN REVERSE VENDING MACHINE
- 27 APPENDIX 13**
EXPANSION OF INCOME TAX EXEMPTION FOR ISLAMIC FINANCIAL ACTIVITIES UNDER LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE
- 29 APPENDIX 14**
REVIEW OF STAMP DUTY ON THE ASSIGNMENT OF LIFE INSURANCE POLICY AND FAMILY TAKAFUL CERTIFICATE
- 31 APPENDIX 15**
REVIEW OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS BASED ON SHARIAH PRINCIPLES
- 32 APPENDIX 16**
EXEMPTION OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS THROUGH THE INITIAL EXCHANGE OFFERING PLATFORM FOR MICRO, SMALL AND MEDIUM ENTERPRISES
- 33 APPENDIX 17**
REVISION OF STAMP DUTY EXEMPTION ON LOAN OR FINANCING AGREEMENTS FOR SKIM PEMBAYARAN MIKRO
- 34 APPENDIX 18**
IMPLEMENTATION OF SELF-ASSESSMENT SYSTEM FOR STAMP DUTY
- 36 APPENDIX 19**
TAX INCENTIVE FOR SMART LOGISTICS COMPLEX

- 38 APPENDIX 20**
TAX INCENTIVE FOR EMPLOYERS IMPLEMENTING FLEXIBLE WORK
ARRANGEMENTS
- 39 APPENDIX 21**
TAX INCENTIVE FOR EMPLOYERS PROVIDING CAREGIVING LEAVE
BENEFIT
- 40 APPENDIX 22**
TAX INCENTIVE FOR HIRING WOMEN RETURNING TO WORK
- 41 APPENDIX 23**
TAX INCENTIVE FOR INCREASED EXPORTS
- 43 APPENDIX 24**
REVIEW OF TAX DEDUCTION ON THE COST OF DEVELOPING NEW
COURSES AT PRIVATE HIGHER EDUCATION INSTITUTIONS
- 44 APPENDIX 25**
REVIEW OF EXCISE DUTY RATE ON SUGAR SWEETENED BEVERAGES
- 45 APPENDIX 26**
REVIEW OF EXPORT DUTY EXEMPTION ON CRUDE PALM OIL
- 47 APPENDIX 27**
REVIEW OF THRESHOLD VALUE FOR WINDFALL PROFIT LEVY
- 48 APPENDIX 28**
SALES TAX EXEMPTION ON MASTECTOMY BRA
FOR BREAST CANCER PATIENTS
- 49 APPENDIX 29**
REVIEW OF THE RATES OF SALES TAX
AND THE EXPANSION OF SERVICE TAX SCOPE
- 

REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON MEDICAL TREATMENT EXPENSES FOR SELF, SPOUSE AND CHILD

Current Position

From the year of assessment 2023, the limit for individual income tax relief on medical treatment expenses has been increased from RM8,000 to RM10,000. The scope of medical treatment expenses includes:

- i. serious illness for self, spouse or child;
- ii. fertility treatment for self or spouse;
- iii. vaccination for self, spouse or child, limited to RM1,000;
- iv. dental examination and treatment expenses for self, spouse or child, limited to RM1,000;
- v. full medical check-up, mental health check-up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child limited to RM1,000; and
- vi. assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with learning disability such as autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities, limited to RM4,000.

Proposal

To encourage the public to undertake improved health screening and treatment, it is proposed the current scope of individual income tax relief for medical expenses be reviewed as follows:

- A.** Relief for the following expenses be maintained:
 - i.** serious illness for self, spouse or child;
 - ii.** fertility treatment for self or spouse;
 - iii.** vaccination for self, spouse or child, limited to RM1,000; and
 - iv.** dental examination and treatment expenses for self, spouse or child, limited to RM1,000.

- B.** Relief for full medical check-up, mental health check-up or consultation and COVID-19 detection test limited to RM1,000, be expanded as follows:
 - i.** full medical check-up, mental health check-up or consultation;
 - ii.** purchase of self-test kit, such as COVID-19 and influenza test kit;
 - iii.** purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer; and
 - iv.** fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear.

- C.** For relief of assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged below 18 years with learning disability such as autism, ADHD, GDD, intellectual disability, down syndrome and specific learning disabilities, the limit be increased from RM4,000 to RM6,000.

Effective Date

From the year of assessment 2025.

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR DISABLED PERSON

Current Position

Each individual taxpayer is provided personal income tax relief of RM9,000. Disabled taxpayers registered with the Department of Social Welfare are given further tax relief of RM6,000.

In addition, individual taxpayers are also eligible to claim tax relief, as follows:

- i. further tax relief of RM5,000 for disabled spouse; and
- ii. further tax relief of RM6,000 for unmarried children with disabilities.

Proposal

To ease the burden of individual taxpayers, in line with the core values of MADANI, to care and be compassionate, it is proposed tax relief for the disabled be reviewed as follows:

- i. further tax relief for the disabled individual taxpayer, be increased from RM6,000 to RM7,000;
- ii. further tax relief for the individual taxpayer with a disabled spouse, be increased from RM5,000 to RM6,000; and
- iii. further tax relief for the individual taxpayer with unmarried disabled children, be increased from RM6,000 to RM8,000.

Effective Date

From the year of assessment 2025.

INDIVIDUAL INCOME TAX RELIEF FOR SPORTS ACTIVITIES, HEALTH AND ELDERLY CARE

Current Status

Individual income tax relief is given for expenses incurred for sports activities, health and child care at registered child care centres as follows:

No.	Tax Relief	Amount
1.	Individual income tax relief on expenses for sports equipment and activities for self, spouse or child	Up to RM1,000
2.	Individual income tax relief on medical treatment, special needs and parental care expenses, covering: <ul style="list-style-type: none"> i. medical treatment at clinics and hospitals; ii. treatment and homecare nursing, day care centres and nursing home; iii. dental treatment not including cosmetic dental treatment; and iv. full medical check-up limited to RM1,000. 	Up to RM8,000

In addition, individual income tax exemption of up to RM3,000 per year is given on child care allowance received by employees or paid directly by employers to child care centres for children aged 12 years and below.

Moreover, employers are also given further tax deductions for the following expenses:

- i. provision and maintenance of child care centres; and
- ii. child care allowance paid by employers to employees.

Proposal

To encourage continuous well-being, welfare and elderly care as the country approaches aging nation status, it is proposed:

- A. Individual income tax relief
The scope of individual income tax relief for sports activities, health and medical care be reviewed as follows:
 - i. individual income tax relief of up to RM1,000 for expenses on sports equipment and activities for self, spouse and child be expanded to parents;
 - ii. full medical check-up expenses for parents, limited to RM1,000 be expanded to include vaccination;
 - iii. medical treatment, special needs, and parental care expenses be expanded to grandparents as follows:
 - a. medical treatment at clinics and hospitals;
 - b. treatment and homecare nursing, day care centres and residential care centres;
 - c. dental treatment not including cosmetic dental treatment; and
 - d. full medical check-up and vaccination, limited to RM1,000.

- B.** Individual income tax exemption
The individual income tax exemption of up to RM3,000 per year given on child care allowance received by employees or paid directly by employers to child care centres be expanded to include elderly care (parents/grandparents).
- C.** Further tax deduction
The further tax deductions on child care allowance paid by employers to employees be expanded to include elderly care (parents/grandparents).

Effective Date

From the year of assessment 2025.

**EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON
CONTRIBUTION TO PRIVATE RETIREMENT SCHEMES
AND DEFERRED ANNUITIES****Current Position**

Individual income tax relief of up to RM3,000 is given on contributions to Private Retirement Scheme (PRS) approved by the Securities Commission Malaysia and on premiums paid for deferred annuities. The relief is available from the year of assessment 2012 until the year of assessment 2025.

A withholding tax at a rate of 8% is imposed on the withdrawal of contributions before reaching the age of 55, except for permitted purposes as follows:

- i.** permanent total disability;
- ii.** serious illness;
- iii.** mental incapacity;
- iv.** death;
- v.** permanent departure from Malaysia;
- vi.** healthcare; and
- vii.** housing.

Proposal

To further encourage the *rakyat* to save in retirement funds, it is proposed the individual income tax relief of up to RM3,000 on contributions to PRS and premiums paid for deferred annuities be extended for 5 years.

The current withholding tax at a rate of 8% will continue to be imposed on any amounts withdrawn, except for permitted purposes.

Effective Date

From the year of assessment 2026 until the year of assessment 2030.

**REVIEW OF INDIVIDUAL INCOME TAX RELIEF
ON EDUCATION AND MEDICAL INSURANCE****Current Position**

Individual income tax relief of up to RM3,000 is given on premiums paid for education and medical insurance for self, spouse and child.

Proposal

To promote savings for children's education and enhance access to medical services, it is proposed the individual income tax relief on premiums paid for education and medical insurance be increased from RM3,000 to RM4,000.

Effective Date

From the year of assessment 2025.

EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON NET SAVINGS IN THE NATIONAL EDUCATION SAVINGS SCHEME

Current Status

Individual income tax relief of up to RM8,000 is given on net annual savings in the National Education Savings Scheme (*Skim Simpanan Pendidikan Nasional* (SSPN)) effective from the year of assessment 2007 until the year of assessment 2024.

Proposal

To further encourage savings among parents for children's tertiary education, while ensuring more targeted tax relief, it is proposed the individual income tax relief of up to RM8,000 on net annual savings in SSPN be extended for 3 years, subject to the following additional conditions:

- i. the tax relief can only be claimed by either parent, for SSPN savings, with maximum claim limited to RM8,000; and
- ii. withdrawals from the SSPN fund intended to finance education costs for further studies will not be considered in the calculation of net savings for that particular year and will not affect the eligible amount for tax relief.

Effective Date

From the year of assessment 2025 until the year of assessment 2027.

INDIVIDUAL INCOME TAX RELIEF ON HOUSING LOAN INTEREST PAYMENT FOR FIRST RESIDENTIAL HOME

Current Position

Individual income tax relief of up to RM10,000 per year was given on housing loan interest payment, subject to the following conditions:

- i. the taxpayer is a Malaysian citizen and resident;
- ii. limited to one residential property including flats, apartments or condominiums; and
- iii. the sales and purchase agreement executed from 10 March 2009 until 31 December 2010.

Individual income tax relief was given for 3 consecutive years of assessment, commencing from the first year the housing loan interest was paid.

Proposal

To encourage the purchase of a first residential home among *rakyat* and to increase disposable income, it is proposed individual income tax relief be given on the interest payments for the first residential home loan (individually or jointly owned), as follows:

No.	House Price	Total Tax Relief Per Year
1.	Up to RM500,000	RM7,000
2.	Above RM500,000 up to RM750,000	RM5,000

Individual income tax relief on the interest payment is subject to the following conditions:

- i. the residential home must not be used to generate any income;
- ii. the sales and purchase agreement must be executed from 1 January 2025 until 31 December 2027;
- iii. the amount of individual income tax relief on allowable interest payments is applicable for 3 consecutive years of assessment, commencing from the first year the housing loan interest is paid; and
- iv. two or more individuals are eligible to claim tax relief on housing loan interest for the same residential home based on apportionment of the interest payment.

Effective Date

For the sales and purchase agreement of the first residential home executed from 1 January 2025 until 31 December 2027.

**EXTENSION OF INDIVIDUAL INCOME TAX RELIEF
FOR NURSERY OR KINDERGARTEN FEES****Current Position**

Individual income tax relief of up to RM2,000 is provided for fees paid to Child Care Centres (TASKA) registered with the Department of Social Welfare or Kindergartens (TADIKAs) registered with the Ministry of Education Malaysia, for children up to 6 years old. This tax relief can only be claimed by either parent.

The tax relief limit has been increased to RM3,000 for a limited period from the year of assessment 2020 until the year of assessment 2024.

Proposal

To continuously assist parents in obtaining childcare and early education services for children, it is proposed the individual income tax relief of up to RM3,000 be extended for 3 years.

Effective Date

From the year of assessment 2025 until the year of assessment 2027.

INDIVIDUAL INCOME TAX RELIEF ON EXPENSES FOR THE PURCHASE OF DOMESTIC FOOD WASTE COMPOSTING MACHINE

Current Position

Food waste composting machines are among the technologies for recycling food waste to help reduce waste disposal at landfills. The use of food waste composting machines can produce end products such as organic fertilisers as well as support the circular economy through more sustainable waste management practices.

Local Authorities are actively conducting pilot projects for the use of industrial composting machines in public markets, food courts and residential areas. However, the use of food waste composting machines among households remains low.

Proposal

To encourage food waste recycling activities at home that can be converted into organic fertiliser, it is proposed the scope of relief on expenses for electric vehicle charging equipment be expanded to include the purchase of food waste composting machines for household use, with the relief limit remaining at RM2,500. The relief for the purchase of food waste composting machines be allowed to be claimed once within 3 years of assessment.

Effective Date

From the year of assessment 2025 until the year of assessment 2027.

IMPOSITION OF TAX ON DIVIDENDS RECEIVED BY INDIVIDUAL SHAREHOLDERS

Current Position

Prior to the year of assessment 2008, income tax on distributed dividends by companies was based on the full imputation system. Under this system, tax on dividends was imposed at the company and shareholder levels. However, the tax imposed on shareholders would be adjusted to reflect the amount already paid by the company through tax credits.

Since the year of assessment 2008, income tax has been imposed at a single level (single-tier) on dividends distributed by companies. Under this single-tier tax system, the tax on company profits is final, and dividends distributed are exempted from tax at the shareholder level.

Proposal

To make the individual income tax structure more progressive and broaden the tax base, it is proposed a Dividend Tax be introduced as follows:

- A.** Scope of taxation on dividends
 - i.** dividend income received by individual shareholders for dividends paid, credited or distributed from company profits; and
 - ii.** individual shareholders consist of resident individuals, non-residents and individuals who hold shares through nominees.

B. Threshold and formula to determine dividend chargeable income

- i.** Threshold:
Annual dividend income exceeding RM100,000.
- ii.** Determination formula for dividend chargeable income:
If the taxpayer has dividend income and other than dividend income, the determination of the distribution of the amount of chargeable income from dividends is based on the following formula:

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

A - Dividend statutory income

B - Aggregate income

C - Chargeable income

D - Chargeable dividend income

C. Tax rate

A rate of 2% is imposed on chargeable dividend income after taking into account allowances and deductions.

- D.** Exemption from Dividend Tax is on:
- i.** dividend income from abroad;
 - ii.** dividend income distributed from the profits of companies that received pioneer status and reinvestment allowances;
 - iii.** dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax;
 - iv.** dividend income distributed by cooperatives;
 - v.** dividend income declared by closed-end funds;
 - vi.** dividend income received by residents from Labuan entities; and
 - vii.** any exemption given on dividend income at individual shareholder level as determined by Minister of Finance.
- E.** Imposition of Dividend Tax is not applicable to profit distributions made to contributors and depositors by:
- i.** Kumpulan Wang Simpanan Pekerja (KWSP);
 - ii.** Lembaga Tabung Angkatan Tentera (LTAT);
 - iii.** Amanah Saham Nasional Bumiputera (ASNB); or
 - iv.** any unit trust.

Effective Date

From the year of assessment 2025.

TAX INCENTIVES FOR IMPLEMENTATION OF E-INVOICING

Current Position

From the year of assessment 2024, the rates of capital allowance allowed to be claimed on capital expenditure for information and communication technology (ICT) equipment and computer software have been revised as follows:

No.	Qualifying Expenditure	Capital Allowance Rate
1.	Purchase of ICT equipment and computer software package	Initial Allowance: 40%
2.	Consultation, licensing and incidental fees related to customised computer software development	Annual Allowance: 20%

The period to claim the capital allowance has been accelerated to 3 years.

Proposal

To encourage taxpayers to fully implement e-Invoicing, it is proposed the expenses for the purchase of ICT equipment, computer software packages and consulting fees be given accelerated capital allowance that can be fully claimed within a period of 2 years as follows:

No.	Qualifying Expenditure	Capital Allowance Rate
1.	Purchase of ICT equipment and computer software package	Initial Allowance: 20%
2.	Consultation, licensing and incidental fees related to customised computer software development	Annual Allowance: 40%

Effective Date

From the year of assessment 2024 until the year of assessment 2025.

EXTENSION OF TAX DEDUCTION FOR SPONSORSHIP OF SMART ARTIFICIAL INTELLIGENCE DRIVEN REVERSE VENDING MACHINE

Current Position

Malaysia's Plastics Sustainability Roadmap 2021-2030 aims to increase the rate of plastic collection for recycling of 40% by 2025. To promote recycling practices through education and to reduce plastic pollution, Artificial Intelligence (AI) technology has been adapted through the use of Smart AI Driven Reverse Vending Machines (RVM).

The Smart AI Driven RVM serves as a plastic waste depository, designed for recycling through a more effective and structured collection programme. By utilising a deposit return scheme which supports the circular economy, this programme ensures that the collected-for-recycling rate be increased.

Tax deductions under subsection 34(6)(h), Income Tax Act 1967 is given to contributions for community projects, including sponsorships of Smart AI Driven RVM for applications received by the Ministry of Finance from 1 April 2023 until 31 December 2024.

Proposal

To further support plastic waste recycling practices and to increase the collected-for-recycling rate, it is proposed the current tax deductions given to contributions or sponsorships of Smart AI Driven RVM be extended for 2 years.

Effective Date

From 1 January 2025 until 31 December 2026.

EXPANSION OF INCOME TAX EXEMPTION FOR ISLAMIC FINANCIAL ACTIVITIES UNDER LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Current Position

Income tax exemption is provided for 5 years from the year of assessment 2024 until the year of assessment 2028 to Labuan trading entities that undertake Islamic finance activities such as Islamic digital banking, Islamic digital bourses, *ummah*-related companies and Islamic digital token issuers.

Proposal

To further attract investment in the Islamic finance sector driven by digital technology at the Labuan International Business and Financial Centre, it is proposed full income tax exemption given to Labuan trading entities that undertake Islamic finance activities be expanded to include qualifying Labuan takaful business activities and Labuan takaful related activities as follows:

No.	Labuan Trading Entity	Qualifying Activities
1.	Labuan insurer; Labuan reinsurer; Labuan takaful operator; or Labuan re-takaful operator.	Takaful and re-takaful businesses that comply with Shariah principles: i. risk management; or ii. product development.
2.	Labuan captive insurer; or Labuan captive takaful.	Takaful and re-takaful businesses that comply with Shariah principles where takaful participants are related companies or associated companies or as approved by the Labuan Financial Services Authority: i. risk management; or ii. product development.
3.	Labuan underwriting manager; or Labuan underwriting takaful manager.	Provides underwriting services including administration related to Labuan takaful business.
4.	Labuan insurance manager; or Labuan takaful manager.	Provides management or administrative services related to Labuan takaful business.

No.	Labuan Trading Entity	Qualifying Activities
5.	Labuan insurance broker; or Labuan takaful broker.	Provides services such as: i. arrange Labuan takaful and re-takaful business; or ii. financial analysis.

Effective Date

From the year of assessment 2025 until the year of assessment 2028.

REVIEW OF STAMP DUTY ON THE ASSIGNMENT OF LIFE INSURANCE POLICY AND FAMILY TAKAFUL CERTIFICATE

Current Position

The deed of assignment for life insurance policy and family takaful certificate is subject to stamp duty under Item 32(a), First Schedule, Stamp Act 1949, at the following *ad-valorem* rates:

No.	Ownership Transfer Value	Stamp Duty Rate
1.	The first RM100,000	1%
2.	Above the first RM100,000 to RM500,000	2%
3.	Above RM500,000 to RM1,000,000	3%
4.	More than RM1,000,000	4%

Proposal

To help reduce the deed of assignment costs and promote insurance and takaful protection of family members, it is proposed the deed of assignment for life insurance policy and family takaful certificate given by way of love and affection or through a trustee, be subject to stamp duty at a fixed rate as follows:

No.	Ownership Transfer Value	Stamp Duty Rate
1.	The first RM100,000	RM10
2.	Above the first RM100,000 to RM500,000	RM100
3.	Above RM500,000 to RM1,000,000	RM500
4.	More than RM1,000,000	RM1,000

Effective Date

For deed of assignments for life insurance policy and family takaful certificate executed from 1 January 2025.

REVIEW OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS BASED ON SHARIAH PRINCIPLES

Current Position

Loan or financing agreements for the purchase of goods through hire purchase under the First Schedule of the Hire Purchase Act 1967, based on conventional methods or Shariah principles such as *Al Ijarah Thumma Al Bait* (AITAB), are subject to a fixed stamp duty of RM10 in accordance with Item 22(6), First Schedule, Stamp Act 1949.

Meanwhile, loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles such as *Murabahah* and *Tawarruq* are subject to an *ad-valorem* stamp duty rate of 0.5%.

Proposal

To streamline the imposition of stamp duty on loan or financing agreement based on Shariah principles for the purchase of goods under the First Schedule of the Hire Purchase Act 1967, it is proposed a fixed stamp duty of RM10 be imposed on loan or financing agreement for the purchase of goods based on Shariah principles, other than hire purchase.

Effective Date

For loan or financing agreements based on Shariah principles executed from 1 January 2025.

EXEMPTION OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS THROUGH THE INITIAL EXCHANGE OFFERING PLATFORM FOR MICRO, SMALL AND MEDIUM ENTERPRISES

Current Position

Loan or financing through the Initial Exchange Offering (IEO) platform is an alternative method that enables Micro, Small and Medium Enterprises (MSMEs), especially new entrepreneurs, to raise business capital. IEO platforms registered with the Securities Commission Malaysia allow MSMEs to connect with various investors based on their respective business needs.

Loan or financing agreements executed by MSMEs and investors through the IEO platforms are subject to stamp duty at a rate between 0.05% and 0.5% under Item 27, First Schedule, Stamp Act 1949.

Proposal

To facilitate expanding MSMEs access to raising business capital through alternative financing, it is proposed a 100% stamp duty exemption be given on loan or financing agreements executed by MSMEs and investors through the IEO platforms registered with the Securities Commission Malaysia for 2 years.

Effective Date

For loan or financing agreements executed from 1 January 2025 until 31 December 2026.

**REVISION OF STAMP DUTY EXEMPTION ON LOAN
OR FINANCING AGREEMENTS FOR *SKIM PEMBIAYAAN MIKRO***

Current Position

Loan or financing agreements under the *Skim Pembiayaan Mikro* (SPM), approved by the National Small and Medium Enterprises Development Council, for amounts of up to RM50,000 between Micro, Small and Medium Enterprises (MSMEs) and financial institutions are exempted from stamp duty. This exemption applies to agreements executed on or after 1 January 2012.

Proposal

To further assist MSMEs in obtaining unsecured loans or financing, it is proposed stamp duty exemption be given for SPM loan or financing agreements, for amounts up to RM100,000.

Effective Date

For loan or financing agreements under the SPM executed from 1 January 2025.

IMPLEMENTATION OF SELF-ASSESSMENT SYSTEM FOR STAMP DUTY**Current Position**

Prior to 2021, the stamping of instruments or agreements could be done manually using the Digital Franking System (SFD) or online through the Stamp Assessment and Payment System (STAMPS). The SFD was discontinued from 30 June 2021, making STAMPS the primary platform for online stamping process.

Although STAMPS has been fully implemented, and the entry of stamp duty information is done by the duty payers, the assessment of stamp duty remains the responsibility of the Inland Revenue Board of Malaysia (LHDNM). The duty payers will make stamp duty payments based on the assessment notice issued by LHDNM through STAMPS.

Proposal

In order to ensure the stamping and self-payment system is more efficient and further enhance compliance, it is proposed the self-assessment stamp duty system (STSDS) be implemented in phases based on the types of instruments or agreements.

STSDS requires duty payers or appointed agents to upload information in STAMPS and undertake self-assessment of the value of stamp duties for the instruments or agreements, and subsequently make payments within the specified timeframe.

Effective Date

No.	Phase	Effective Date	Types of Instruments
1.	Phase 1	From 1 January 2026	Instruments or agreements related to rental or lease, general stamping and securities
2.	Phase 2	From 1 January 2027	Instruments of transfer of property ownership
3.	Phase 3	From 1 January 2028	Instruments or agreements other than stated in Phase 1 and Phase 2

TAX INCENTIVE FOR SMART LOGISTICS COMPLEX

Current Position

The Smart Logistics Complex (SLC) is a modern warehouse that uses technologies such as the Internet of Things (IoT) and Artificial Intelligence (AI) to automate various warehouse operations, reduce costs and enhance overall supply chain performance. However, there are no specific incentives for companies in Malaysia that incorporate Fourth Industrial Revolution (IR4.0) elements in smart warehousing.

For Integrated Logistics Services (ILS) such as delivery, transportation and warehousing, tax incentives are provided as follows:

- i. Pioneer Status with a tax exemption of 70% of statutory income for a period of 5 years; or
- ii. Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income for each year of assessment.

Additionally, tax incentives for automation in the form of Accelerated Capital Allowance and income tax exemptions equivalent to the ITA are available to companies in the services sector that invest in machinery and automation equipment with IR4.0 elements. The qualifying capital expenditure for the first RM10 million can be claimed under this incentive. The incentive is available for applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2027.

Proposal

To further enhance supply chain efficiency through advanced technologies adaptation in logistics, including the use of IR4.0 elements such as AI, IoT and blockchain, it is proposed income tax exemption equivalent to an ITA of 60% on qualifying capital expenditure incurred for a period of 5 years be provided to SLCs. This allowance can be set-off against up to 70% of statutory income for each year of assessment, subject to the following conditions:

- A.** Eligible SLC companies
 - i.** SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
 - ii.** SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertakes eligible logistics services activities.
- B.** Eligible logistics services
 - i.** regional distribution centres;
 - ii.** integrated logistics services;
 - iii.** storage of hazardous goods; or
 - iv.** cold chain logistics.
- C.** Warehouse with a minimum build-up area of 30,000 square metres;
- D.** Adaptation of at least three IR4.0 elements; and
- E.** Other conditions as prescribed.

Effective Date

For applications received by MIDA from 1 January 2025 until 31 December 2027.

TAX INCENTIVE FOR EMPLOYERS IMPLEMENTING FLEXIBLE WORK ARRANGEMENTS

Current Position

In Budget 2014, double tax deduction was given to employers who implemented or made improvements to the Flexible Working Arrangements (FWA), verified by Talent Corporation Malaysia Berhad from 1 January 2014 until 31 December 2016.

Meanwhile, under the National Economic Recovery Plan, employers implementing FWA were given a double tax deduction on eligible expenses capped at RM500,000 for consultancy fees, capacity building for flexible work arrangements, including employee training costs and the cost of acquiring virtual working environment software from 1 July 2020 until 31 December 2022.

Proposal

To further encourage more employers to offer flexibility to employees and create a work life balance, it is proposed expenses for capacity building and software acquisition incurred by employers for implementing FWA be given a 50% further deduction.

The expenses eligible for further deduction is capped at RM500,000, subject to a one-off claim and to be verified by Talent Corporation Malaysia Berhad.

Effective Date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027.

TAX INCENTIVE FOR EMPLOYERS PROVIDING CAREGIVING LEAVE BENEFIT

Current Position

Employers who provide paid leave benefit for employees are eligible for tax deductions under Section 33 of the Income Tax Act 1967. However, there are no tax incentives for employers who provide additional paid leave to employees caring for children or ill or disabled family members.

Proposal

To cushion the impact of loss of income on affected individuals and to support job retention in line with the care economy policy, it is proposed a 50% further deduction be given to employers who provide additional paid leave of up to 12 months for employees caring for children or ill or disabled family members.

Effective Date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027.

TAX INCENTIVE FOR HIRING WOMEN RETURNING TO WORK**Current Position**

Women on a career break for at least 2 years and return to work are eligible for income tax exemption on remuneration received for a maximum period of 12 consecutive months. This incentive is provided for applications received by Talent Corporation Malaysia Berhad from 1 January 2018 to 31 December 2027.

Employers are eligible for tax deductions on employee salary payments under Section 33 of the Income Tax Act 1967.

Proposal

In an effort to increase women's participation in the labour market, it is proposed a 50% further deduction be given to employers on employment expenses paid for a period of 12 months for hiring women returning to work.

Effective Date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027.

TAX INCENTIVE FOR INCREASED EXPORTS

Current Position

Companies engaged in selected service activities and successfully increase exports are eligible to claim tax exemption up to 70% of the statutory income equivalent to 50% of the value of increased exports. The selected services activities are as follows:

- i. legal;
- ii. accounting;
- iii. architecture;
- iv. marketing;
- v. business consultancy;
- vi. office services;
- vii. construction management;
- viii. building management;
- ix. plantation management;
- x. private education;
- xi. publishing;
- xii. printing;
- xiii. information technology and communication;
- xiv. engineering; and
- xv. local franchise.

This incentive has been in effect since the year of assessment 2002.

Proposal

In line with the mission of the New Industrial Master Plan 2030 (NIMP) to establish Malaysia as a hub for Advanced Integrated Circuit (IC) Design Technology and Solutions, it is proposed the increased export incentive for the services sector be expanded to IC Design services.

Effective Date

From the year of assessment 2025.

REVIEW OF TAX DEDUCTION ON THE COST OF DEVELOPING NEW COURSES AT PRIVATE HIGHER EDUCATION INSTITUTIONS

Current Position

Effective from the year of assessment 2006, Private Higher Education Institutions (PHEIs) are eligible for tax deduction on expenses incurred for:

- i.** development of new courses; and
- ii.** compliance with regulatory requirements for introducing new courses.

The tax deduction is allowed from the year of completion of development of new courses over a period of 3 years.

Proposal

To develop a highly skilled and competitive workforce in the industrial revolution era with a focus on digital technology and innovation which includes digital technology and artificial intelligence (AI), it is proposed a tax deduction on cost of developing new courses by PHEIs be allowed to be fully claimed within the same year of assessment. This incentive is also extended to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions.

Effective date

From the year of assessment 2025 until the year of assessment 2030.

REVIEW OF EXCISE DUTY RATE ON SUGAR SWEETENED BEVERAGES

Current Position

Effective 1 July 2019, an excise duty of 40 sen per litre was imposed on sugar sweetened beverages based on the threshold of sugar content. This rate was increased to 50 sen per litre from 1 January 2024, involving the following types of beverages:

No.	Tariff Code	Type of Beverages	Sugar Content Threshold
1.	22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml
		Flavoured milk-based beverages containing lactose	>7g/100ml
2.	20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

Proposal

In line with the effort to improve the health and well-being of the *rakyat*, particularly the prevention of diabetes and obesity, it is proposed the excise duty on sugar sweetened beverages be increased in phases starting from 1 January 2025 at 40 sen per litre.

Effective Date

From 1 January 2025.

REVIEW OF EXPORT DUTY EXEMPTION ON CRUDE PALM OIL

Current Position

The Customs Duty Order 2022 determines the export duty rate on crude palm oil (CPO) according to market price range of CPO as follows:

No.	CPO Market Price (RM/metric tonne)	Export Duty Rate
1.	≤ 650	NIL
2.	> 650 - 700	10%
3.	>700 - 750	15%
4.	>750 - 800	20%
5.	> 800 - 850	25%
6.	> 850	30%

Effective 1 January 2020, the export duty for CPO was revised through a partial exemption as follows:

No.	CPO Market Price (RM/metric tonne)	Export Duty Rate
1.	< 2,250	NIL
2.	2,250 – 2,400	3.0%
3.	2,401 – 2,550	4.5%
4.	2,551 – 2,700	5.0%
5.	2,701 – 2,850	5.5%
6.	2,851 – 3,000	6.0%
7.	3,001 – 3,150	6.5%
8.	3,151 – 3,300	7.0%
9.	3,301 – 3,450	7.5%
10.	> 3,450	8.0%

Proposal

In an effort to ensure the supply of CPO in the domestic market and encourage midstream and downstream processing activities for the production of value-added products such as biodiesel and oleochemicals, it is proposed export duty for CPO, taking into accounts the partial exemption, be revised as follows:

No.	CPO Market Price (RM/metric tonne)	Export Duty Rate
1.	< 2,250	NIL
2.	2,250 – 2,400	3.0%
3.	2,401 – 2,550	4.5%
4.	2,551 – 2,700	5.0%
5.	2,701 – 2,850	5.5%
6.	2,851 – 3,000	6.0%
7.	3,001 – 3,150	6.5%
8.	3,151 – 3,300	7.0%
9.	3,301 – 3,450	7.5%
10.	3,451 – 3,600	8.0%
11.	3,601 – 3,750	8.5%
12.	3,751 – 3,900	9.0%
13.	3,901 – 4,050	9.5%
14.	> 4,050	10.0%

Effective Date

From 1 November 2024.

REVIEW OF THRESHOLD VALUE FOR WINDFALL PROFIT LEVY

Current Position

The windfall profit levy is imposed on the production of fresh fruit bunches (FFB) when the market price of crude palm oil (CPO) exceeds the threshold. As of 1 January 2022, the threshold was reviewed and the levy for Sabah and Sarawak has been streamlined with Peninsular Malaysia rates, as follows:

No.	Location	Threshold of CPO Prices (RM/metric tonne)	Rates of Levy
1.	Peninsular Malaysia	3,000	3%
2.	Sabah and Sarawak	3,500	3%

Proposal

To continuously support the sustainability of the palm oil industry, it is proposed the threshold of windfall profit levy for Peninsular Malaysia, Sabah and Sarawak be revised as follows:

No.	Location	Threshold of CPO Prices (RM/metric tonne)	Rates of Levy
1.	Peninsular Malaysia	3,150	3%
2.	Sabah and Sarawak	3,650	3%

Effective Date

From 1 January 2025.

SALES TAX EXEMPTION ON MASTECTOMY BRA FOR BREAST CANCER PATIENTS

Current Position

Mastectomy bras for cancer patients are subject to following duties/taxes:

No.	Product	Tariff Code	Import Duty	Sales Tax
1.	Mastectomy bra (made from cotton)	6212.10.1100	0%	10%
2.	Mastectomy bra (made from other textile materials)	6212.10.9100		

Proposal

In line with the value of compassion and to ease the burden of breast cancer patients, it is proposed sales tax exemption be given for mastectomy bras.

Effective Date

For applications received by the Ministry of Finance from 1 November 2024 until 31 December 2027.

REVIEW OF THE RATES OF SALES TAX AND THE EXPANSION OF SERVICE TAX SCOPE

Current Position

Sales tax is imposed on taxable goods manufactured in Malaysia as well as imported goods. Under the Sales Tax Act 2018, there is a list of goods exempted from sales tax (0%) consisting mainly essential items, meanwhile for other goods, sales tax at 5%, 10% or specific rates are imposed depending on the type of goods.

Service tax is imposed on taxable services provided by service providers including imported taxable services and digital services as specified in the Service Tax Regulations 2018 and Service Tax Regulations (Digital Services) 2019. The service tax rates are 6%, 8%, or a specific rate depending on the services provided.

To provide a conducive and business-friendly environment, the following treatments have been given:

- i. sales tax exemption on manufacturing inputs used by registered manufacturers to produce taxable goods under the Sales Tax Act 2018;
- ii. business-to-business (B2B) exemption for professional services, logistics, advertising and telecommunications;
- iii. service tax exemption for maintenance, repair and overhaul (MRO) services; and
- iv. Group Relief facility under service tax.

Proposal

In an effort to strengthen the fiscal position, sales tax and service tax will be reviewed as follows:

- i. sales tax exemption be maintained on basic food items consumed by the rakyat;
- ii. sales tax be increased on non-essential items such as imported premium goods; and
- iii. the scope of service tax be expanded to include new services such as commercial service transactions between businesses (B2B).

To ensure that business remains as usual, the Government will undertake industry consultation to provide balancing measures as well as finalising the scope and applicable tax rates.

Effective Date

From 1 May 2025.

