

Key Highlights of Malaysia's Finance Bill 2024

| For individuals and businesses



Navigating the Finance Bill 2024

Key Changes That Matter

The Finance Bill 2024, Measures for the Collection, Administration and Enforcement of Tax Bill 2024 and Labuan Business Activity Tax (Amendment) (No. 2) (collectively referred to as “the Bills”, tabled in the Dewan Rakyat on 19 November 2024, marks a significant step in refining Malaysia’s tax landscape, addressing key areas that impact both businesses and individuals.

From changes to dividend taxation to new rules on property gains, these amendments aim to enhance transparency, equity, and compliance in Malaysia's taxation system.

For businesses, the Bills introduces provisions that could affect cash flow, operational planning, and strategic investments. Individuals, on the other hand, will need to navigate updates like dividend tax changes and deductions for charitable contributions, ensuring proper alignment with the new regulations.

This booklet breaks down the Bills’ amendments in detail, offering you a clear understanding of how these changes will affect your financial planning and obligations starting from 2025. Whether you are a business owner, property investor, or someone managing personal taxes, this guide will help you stay informed and prepared for the road ahead.

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The Bills aims to refine Malaysia's tax laws, enhance revenue collection, and ensure fairness in taxation.





Finance Bill 2024 Highlights For Businesses

1 New Taxes / Major Rules

TAXATION OF DIVIDEND INCOME FOR INDIVIDUAL SHAREHOLDERS

Dividend tax at the rate of 2% will be imposed on dividend income earned by individual shareholders earning annual dividend income exceeding RM100,000, effective from the Year of Assessment (YA) 2025.

ACCESS TO TAX IDENTIFICATION NUMBER (TIN)

The TIN will be made accessible to persons other than the taxpayer.

IMPLEMENTATION OF THE SELF-ASSESSMENT SYSTEM FOR RPGT

The Self-Assessment System is implemented for RPGT with effective from 1 January 2025.

IMPLEMENTATION OF SELF-ASSESSMENT SYSTEM FOR STAMP DUTY

A deemed assessment system will be implemented for stamp duty, which will require duty payers to conduct self-assessment of the value of stamp duties payable on their instrument, submit the returns and instruments electronically, and make payment on the duty payable based on the deemed assessment accordingly.

EXCHANGE OF REAL PROPERTY

Effective from 1 January 2025, Section 20A of the SA 1949 provides that an *ad valorem* duty shall be imposed on the principal instrument involving exchange of real property for another real property, whether with or without consideration. Notwithstanding this, a fixed duty of RM10 shall be imposed in scenarios where such exchanges of real property are between any person and government entities, between original co-owners of a real property, or between specific close family members.

ELECTRONICS SUBMISSION OF AMENDED TAX RETURNS

All taxpayers are required to submit their amended tax returns under Section 77B of MITA electronically effective YA 2025.

AMENDMENT OF TAX ESTIMATES

A company, limited liability partnership, trust body or cooperative society is allowed to revise its estimates in the 11th month of the basis period in addition to the 6th and 9th months, if the Director General (DG) has directed the instalment payment before the 11th month.

LIMITATION PERIOD TO AMEND GROUNDS OF APPEAL IN FORM Q

Amendments to the grounds of appeal in Form Q are only allowed within 6 months from the date the appeal is filed with the Special Commissioners of Income Tax (SCIT).

SUBMITTING INCORRECT RETURNS, INFORMATION RETURNS OR REPORTS

Section 113A of MITA is amended to include that if no prosecution has been taken for an incorrect return, information return or report, or incorrect information, the Director General may by notice in writing require the person to pay a fine not less than RM20,000 and not exceeding RM100,000. The penalty will be recoverable as part of tax payable. This will be effective on 1 January 2025.

AMENDMENT OF THE DEFINITION OF ORGANISATION

The definition of “organisation” under Subsection 44(7)(k) of MITA will be amended by deleting the words “as defined in subsection 46(2)”. This amendment comes into effect upon the coming into operation of the Finance Bill 2024.

AMENDMENT OF TIMEFRAME TO AMEND ERRORS OR MISTAKES IN E-INVOICE

The timeframe to rectify the errors and mistakes in issued e-Invoice is amended from three (3) days to 72 hours from the time of issuance of the defective e-Invoice under Section 82C(8) of MITA and Section 22DA(8) of LBATA. The amendment comes into operation on 1 January 2025.

IMPLEMENTATION OF GMT IN MALAYSIA IS SET FOR 1 JANUARY 2025

The implementation of GMT in Malaysia starting from 1 January 2025 is poised to reshape the tax landscape for MNEs, particularly those in low-tax jurisdictions. The government strategy aims to ensure that Malaysia remains an attractive destination for foreign direct investment despite the changes introduced by GMT.

The amendment of Section 30 in the Finance (No. 2) Act 2023 introduces several clarifications and changes:

DEFINITION UPDATES

- The term "Acceptable Financial Accounting Standard" no longer references "Malaysia," as the country has fully adopted International Financial Reporting Standards (IFRS).
- Expands the scope of the term "Investment Entity" to explicitly include insurance companies involved in investment activities.
- A new term, "Marketable Transferable Tax Credit," is defined as tax credits that can be transferred under specified conditions, ensuring they can reduce liabilities for covered taxes.

DOMESTIC TOP-UP TAX

The Financial Accounting Net Income or Loss of a Constituent Entity is determined based on financial statements which are prepared in accordance with Malaysian accounting standards and audited by an approved company auditor.

Separate financial statements for the Permanent Establishments (PE) of a main entity in Malaysia must be prepared.

MARKETABLE TRANSFERABLE TAX CREDITS IN TAX COMPUTATION

Marketable Transferable Tax Credits are treated as income in the computation of GloBE Income or Loss for entities within the framework that aligns with international GloBE rules under the OECD's Pillar Two initiative.

When these credits reduce the current tax expense, they are added back as adjustments to "Covered Taxes." However, if these credits are refunded or credited without adjustment to the tax expense, they are not treated as a reduction to Covered Taxes.

5 Capital Gains Tax (CGT)

INTRODUCTION OF NEW AND AMENDMENT OF EXISTING SUBSECTIONS UNDER SECTION 15C of MITA

The existing Section 15C of MITA will be reviewed to take into account the income tax implications on the new and amendment as follows:

For shares in relevant company acquired prior to 1 January 2024, the acquisition date and acquisition price of CGT will be aligned with acquisition date and acquisition price of RPC shares under Paragraph 34A, Sch 2 of RPGTA.

A company is non-relevant company when its defined value is less than 75% of its total tangible assets after disposing of real property or shares.

Acquisition date of shares is the date the controlled company becomes a relevant company and the acquisition price is calculated using the formula in Paragraph 15C(4)(a) $[A \times B/C]$.

The new definition for "Another Controlled Company" will be expanded to include a controlled company owned by another controlled company.

6 Real Property Gains Tax (RPGT)

RPGT TREATMENT ON GAINS OR LOSSES FROM DISPOSAL

Each chargeable asset to be disposed of should have its chargeable gains be calculated and subject to RPGT separately. Any allowable loss arising from the disposal of chargeable assets can only be set-off against subsequent disposal in the same year of assessment, effective from 1 January 2025.

FAILURE TO SUBMIT RPGT RETURNS AND OTHER OFFENCES

This proposal is to enable the court to issue further orders by directing taxpayers to submit RPGT returns after the taxpayers are convicted for failure to submit these returns.



STAMP DUTY ON LEASE OR AGREEMENT FOR LEASE

With effective from 1 January 2025, stamp duty will be imposed based on every RM250 or part thereof of the average rent and other annual consideration of a lease or agreement for lease as follows:-

- RM1.00 (for lease agreement with a lease term of less than 1 year);
- RM3.00 (for lease agreement with a lease term exceeding 1 year but less than 3 years);
- RM5.00 (for lease agreement with a lease term exceeding 3 years but less than 5 years); and
- RM7.00 (for lease agreement with a lease term exceeding 5 years).



REVIEW OF STAMP DUTY ON THE ASSIGNMENT OF LIFE INSURANCE POLICY

With effective from 1 January 2025, stamp duty will be imposed based on the sum insured of the life insurance as follows:-

- RM10 (sum assured does not exceed RM100,000);
- RM100 (sum assured exceeds RM100,000 but does not exceed RM500,000);
- RM500 (sum assured exceeds RM500,000 but does not exceed RM1,000,000); and
- RM1,000 (sum assured exceeds RM1,000,000).



STAMP DUTY ON POWER OR LETTER ATTORNEY

It is proposed that an *ad valorem* duty will be imposed on instruments with conveyance features involving consideration. Additionally, a fixed duty of RM10 will be imposed on all other instruments. This will be effective from 1 January 2025.

NEW MINIMUM STAMP DUTY AMOUNT IMPOSED

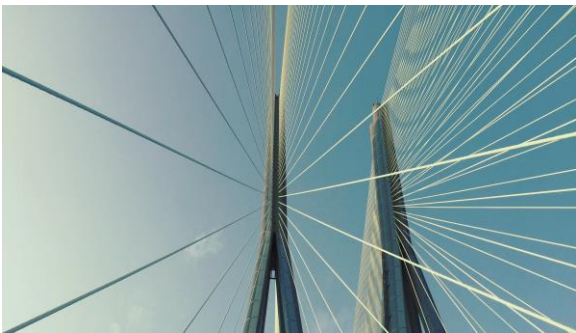
A minimum stamp duty of RM10 will be imposed on instruments with a duty of less than RM10. This includes instruments with remitted duty. However, the minimum stamp duty of RM10 does not apply to instruments of cheques and contract notes. This will be effective from 1 January 2025.

REVIEW OF STAMP DUTY ON INSTRUMENT OF CHEQUE

With effective from 1 January 2025, the stamp duty rate on instrument of cheque has been revised from RM0.15 to RM1.00.

STAMP DUTY ON FINANCE AGREEMENT BASED ON SHARIAH PRINCIPLES

With effective from 1 January 2025, 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.



PENALTY FOR LATE STAMPING

Subsection 47A(1) of the SA 1949 is amended to introduce new penalties for late stamping, effective from 1 January 2025, as follows:

- a) RM50 or 10% deficient duty*, if the instrument is stamped within the period of three (3) months after the time for stamping; or
- b) RM100 or 20% deficient duty*, if the instrument is stamped later than the period of three (3) months after the time for stamping.

**whichever is greater*

FINE FOR FRAUD RELATED DUTY

Effective from 1 January 2025, anyone who engages in or is involved in any fraudulent act, scheme, or device not specifically addressed by law, with the intent to defraud the government of any duty, shall be guilty of an offence and liable to a fine of not less than RM1,000 and not more than RM20,000, as amended under Section 74 of the SA 1949.

IDENTIFICATION OF OFFICIALS

Anyone exercising the right of access or possession under inspection of the Collector must carry a warrant in the prescribed form, issued by the Collector of Stamp Duties as introduced in the new Section 76A of the SA 1949. This warrant must identify the holders and their office and be shown upon request to anyone with reasonable grounds to ask for it.

UPDATES ON DEFINITION IN SECTION 2 OF THE LABUAN BUSINESS ACTIVITY TAX ACT 1990 (LBATA)

A few updates on the interpretation of LBATA are made as follows:

Deletion:

- in the definition of “Labuan trading activity”, delete the words “, shipping operations”;
- Delete the definition of “shipping operations”; and
- Delete the definition of “domestic company”.

Amendment:

- In the definition of “basis period”, substitute the words “immediately preceding” with “coinciding with”.

New interpretation:

- Updated new interpretation of “assessment” means any assessment or additional assessment made under this Act.

LABUAN ENTITY – SECTION 2B

There are a few amendments made to Section 2B as follows:

- Under subparagraph (1)(b)(i) of Section 2B LBATA, a new subparagraph (C) has been included as follows:

“comply with any condition in relation to a fit and proper person for full time employees”

- Under subparagraph (1)(b)(ii) of Section 2B LBATA, a new subparagraph (D) has been included as follows:

“comply with any condition in relation to a fit and proper person for full time employees”

- Substitute (1B) with the following subsection:

“(1B) For the purposes of subsection (1a), the chargeable profits shall be the net profits as reflected in the audited accounts in respect of such Labuan business activity of the Labuan entity for the basis period for that year of assessment.”; and

- Substitute for the words “paragraph (1b)(a)” with “subsection (1b)” under paragraph (1c).



LABUAN E-FILING

- Amendment made to Section 5 of the LBATA requires Labuan entities engaged in a Labuan business activity under subsection 2B(1A) or section 4 to submit a return of profits to the Director General (“DG”) for each year of assessment. The return must be filed electronically in the prescribed form within 7 months after the close of the accounting period. It should specify chargeable profits and include any other details required by the DG.
- Amendment made to Section 6 of the LBATA requires a Labuan entity’s return of profits, filed in accordance with Section 5, is deemed an assessment by the Director General upon submission, reflecting the tax on the chargeable profits specified. The return is also deemed a notice of assessment, served on the Labuan entity on the same day.
- Amendment made to Section 10 of the LBATA requires Labuan entities engaged in a Labuan non-trading activity, under section 9(1) to submit a return of profits to the DG for each year of assessment. The return must be filed electronically in the prescribed form within 7 months after the close of the accounting period. It should specify net profits as reflected in the audited accounts and include any other details required by the DG.
- Amendment made to Section 21B of the LBATA states that any electronic copy or printout of a prescribed form can be used as evidence, as long as it is certified by the DG or verified according to the Evidence Act 1950.
- A new Section 21C has been introduced in the LBATA to facilitate the submission of the prescribed form via electronic medium. The amendment also enables a tax agent to submit the prescribed form on behalf of the entity in the same manner.

LABUAN ASSESSMENT – SECTION 6A & 6B

- Under subsection 6A(1), the words “*section 6*” are substituted with “*subsection 6(2), (3) or (4)*”.
- Under subsection 6B(1), the words “*section 6*” are substituted with “*subsection 6(2), (3) or (4)*”.
- In subsection 6B(1), the words “*by post*” are substituted with “*by ordinary or registered post*”.
- Under subsection 6B(3)(a), insert after the words “*tax charged*” the words “*thereon, or the amount of the tax or additional tax, as the case may be*”.
- Under Subparagraph 6B(3)(c)(ii), the words “*subsection 13a(2)*” are substituted with the words “*subsection 11(4) or (5)*”.

TAX REBATE - SECTION 8A LBATA

Under subsection 8A(1), the words “*tax charge under section 4*” are substituted with the words “*tax charged under subsection 2B(1A) or section 4*”.

AMENDMENT OF EXISTING PAYMENT OF TAX - SECTION 11

A self-assessment system will replace the issuance of notice of demand under Section 13 of LBATA. Under this system, any tax payable will be due and payable on the stipulated due date and allowed the payment to be made by instalments and the remittance of any increased sum for an assessment raised. The self-assessment system will be implemented from YA 2025.

RECOVERY BY SUIT – SECTION 14

From 1 January 2025, during tax recovery proceedings, the court cannot consider arguments that the tax assessed is excessive, incorrect, under appeal, or improperly increased under specific subsections of the LBATA. Such disputes must be resolved through other designated channels and not during recovery actions.

RETURNS CONFIDENTIALITY – SECTION 20(1)

This section allows disclosure of tax-related information with the Minister's written authorisation, in addition to disclosures strictly for the purposes of the LBATA. This grants the Minister discretionary power to authorise the release of confidential information under specified circumstances, with effective from 1 January 2025.

INTRODUCTION OF NEW OFFENCES AND PENALTIES – SECTION 23

Failure by any person to furnish a tax return form, non-compliance with notice of chargeability to tax, make an incorrect tax return or give any incorrect information which affect the tax liability may be liable to penalties imposed by the DG, effective from 1 January 2025.

REVIEW OF COMPOUNDING OF OFFENCES – SECTION 24

Any compounding of offences under the existing Section 24 of LBATA will be expanded to include offences under Sections 22EA and 23A of LBATA. Concession will be granted to Labuan entities that have their offence compounded under this provision, excluding penalties imposed following a conviction.

POWER OF MINISTER TO MAKE REGULATIONS

The Minister's power to make regulations has been reviewed to include the scope, procedure and prescribe fees charged in relation to the Advance Ruling (under Section 17B) issued by the Director General for a specific arrangement.

NEW SECTION 22EB OF LBATA - DUTY TO PROVIDE INFORMATION AND FURNISH DOCUMENTS FOR ASCERTAINING CHARGEABLE PROFIT AND TAX PAYABLE

If a person has submitted a profit return to the Director General, he must provide any additional information and documents required by the Director General to determine his taxable profit or net profit. The documents requested must be submitted electronically within 30 days after the due date for furnishing of the return of profits.

SERVICE OF DOCUMENTS

The service of documents under the Labuan Business Activity Tax Act 1990 will be changed from “by post” to “by ordinary post”.

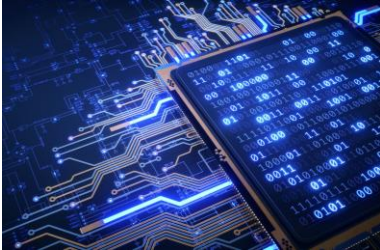
NEW SECTIONS 27A, 27B AND 27C

New sections have been introduced to provide for the admissibility of any document issued, served or given for the purposes of the LBATA in any court proceedings.

TRANSITION TO CURRENT YEAR ASSESSMENT

The income tax assessment for Labuan entities be changed from preceding year assessment (PYA) to current year assessment (CYA) starting from year 2025.





INTRODUCTION OF ELECTRONIC SERVICE FOR WINDFALL PROFIT LEVY DOCUMENT FILING AND COMMUNICATION

The Director General of Royal Malaysian Customs Department (RMCD) may provide an electronic service for filing and receiving documents related to the Windfall Profit Levy.



AMENDMENT ON DEADLINE FOR SALES TAX AND SERVICE TAX RETURN FILING FOR VARIED TAXABLE PERIODS

A taxable person whose taxable period has been varied must furnish a Sales Tax and Service Tax return by the last day of the month following the end of the varied taxable period, instead of within 30 days.



AMENDMENT TO EMPOWER DIRECTOR GENERAL FOR SALES TAX ASSESSMENT OF TAXABLE GOODS CONTROLS AND IMPORTS

The Director General of RMCD is empowered to make Sales Tax assessments against any person who controls or imports any taxable goods.



AMENDMENT ON TAXABLE PERIOD FOR SALES TAX ON LOW VALUE GOODS BY A TAXABLE PERSON

The first taxable period for Sales Tax on low value goods will be two (2) months after the end of the month in which the taxable person is registered, and subsequent taxable periods will be three (3) months.

Finance Bill 2024 Highlights For Individuals



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

The scope of income tax relief for medical expenses or payment of fees for disease detection test will be reviewed as follows:

- No changes for serious illness, fertility treatment, vaccinations (up to RM1,000), and dental treatment (up to RM1,000) for self, spouse, or child.
- The relief for full medical check-ups, mental health check-ups or consultations, and COVID-19 detection tests, currently limited to RM1,000, will be expanded to include the purchase of self-test kits, self-testing medical devices registered under the Medical Device Act 2012 [Act 737] (not being used for the purposes of his own business), as evidenced by receipts of the purchase and fees for disease detection examinations conducted at clinics or hospitals spent on himself, his spouse or children.
- Relief limit for assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged 18 years and below with learning disabilities, will be increased from RM4,000 to RM6,000.

These will be effective from YA 2025.

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR DISABLED PERSONS

Further income tax relief for disabled individuals will be reviewed as follows:

- Relief for a disabled individual taxpayer will be increased from RM6,000 to RM7,000.
- Relief for a disabled spouse will be increased from RM5,000 to RM6,000.
- Relief for an unmarried disabled child will be increased from RM6,000 to RM8,000.

These will be effective from YA 2025.

EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON CONTRIBUTIONS TO PRIVATE RETIREMENT SCHEMES (PRS) AND DEFERRED ANNUITIES

- The income tax relief of up to RM3,000 for contributions to PRS and premiums paid for deferred annuities will be extended for five (5) years.
- The current withholding tax at a rate of 8% will continue to be imposed on any amounts withdrawn, except for permitted purposes.

This will be effective from YA 2026 to YA 2030.



Finance Bill 2024 Highlights For Individuals (cont.)

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

The scope of income tax relief for sports activities, health and medical care will be reviewed as follows:

- The relief of up to RM1,000 for expenses on sports equipment for any sports activity as defined under the Sports Development Act 1997 [Act 576], the rental payment or entry fees to any sports facility, the registration fees for any sports competitions whose organizers are approved and licensed by the Sports Commissioner under Act 576 and the fees for gymnasium membership or sports training provided by sports clubs or societies registered with the Sports Commissioner or a company incorporated under the Companies Act 2016 [Act 777] for self, spouse and child will be expanded to include parents resident in Malaysia.
- The relief for medical treatment, special needs, and parental care expenses will be expanded to include grandparents and covers medical treatment at clinics and hospitals; treatment and homecare nursing in day care centres, and residential care centres; dental treatment (excluding cosmetic dental treatment); and full medical check-up and vaccination (limited to RM1,000).

This will be effective from YA 2025.

REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON EDUCATION AND MEDICAL INSURANCE

The income tax relief on premiums paid for education and medical insurance will be increased from RM3,000 to RM4,000 per year effective from YA 2025.

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

- The income tax relief can only be claimed by either parent regardless of the number of children, for Skim Simpanan Pendidikan Nasional (SSPN) savings, with a maximum claim limited to RM8,000; and
- Withdrawals from the SSPN fund intended to finance higher education expense of the child will not be considered in the calculation of net savings for that particular year and will not affect the eligible amount for tax relief.

This will be extended for a period three (3) years from YA 2025 to YA 2027.



Finance Bill 2024 Highlights For Individuals (cont.)

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

The income tax relief on the interest payments for the first residential home loan (individually or jointly owned), is as follows:

HOUSE PRICE (RM)	TOTAL TAX RELIEF PER YEAR (RM)
Up to 500,000	7,000
Above 500,000 up to 750,000	5,000

This relief is applicable for the sales and purchase agreement of the first residential home executed from 1 January 2025 to 31 December 2027, provided that the individual meets the requirements as specified by the Inland Revenue Board of Malaysia (IRBM).

This will be effective from 1 January 2025.

EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR NURSERY OR KINDERGARTEN FEES

The income tax relief for nursery or kindergarten fees of up to RM3,000 will be extended for a period of three (3) years from YA 2025 to YA 2027.

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

- The scope of income tax relief for electric vehicle (EV) charging equipment will be expanded to include the purchase of food waste composting machines for household use.
- The claim is evidenced by receipts issued in respect of the payment or purchase.
- The total relief remains limited at RM2,500.
- The relief for the purchase of food waste composting machines will be allowed to be claimed once within three (3) YAs.

This will be effective from YA 2025 to YA 2027.



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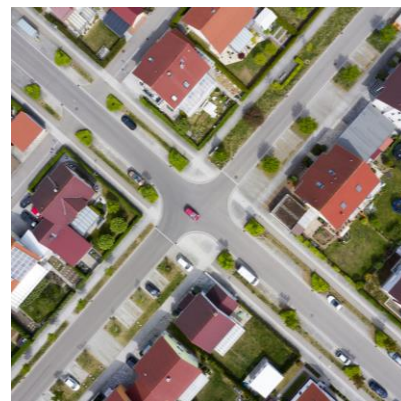
Proposed Measures

| For businesses



PRESENT	Currently, access to the TIN is restricted to the registered taxpayer itself.
PROPOSED	<p>It is proposed that access to the TIN be extended to any person other than the taxpayer.</p> <p>The Director General (DG) shall not be held liable for any loss or damage suffered by any person due to any error or omission arising in the provision of TIN access, provided that the error or omission:</p> <ul style="list-style-type: none"> • was made in good faith and in the ordinary course of the DG's duties; or • occurred as a result of a defect or breakdown in the service or the equipment used for providing the service. <p>Any person who abuses TIN information shall be guilty of an offence and shall, on conviction, be liable to:</p> <ul style="list-style-type: none"> • a fine not exceeding RM4,000; or • imprisonment not exceeding one (1) year; or • both of the above.
DATE	1 January 2025.
COMMENTARY	The proposal is in line with the government's efforts to implement e-invoicing and utilise the TIN to combat revenue leakage and reduce the scale of the shadow economy in Malaysia.

PRESENT	<ul style="list-style-type: none"> • Taxpayers are allowed to manually or electronically file the RPGT returns and supporting documents to the IRBM. • RPGT returns be submitted within 60 days from date of disposal. The RPGT return will be processed by the IRBM after which a notice of assessment or a certificate of non-chargeability will be issued to the taxpayers. • For RPGT payable cases, payment must be made within 30 days from the date of notice of assessment received from the IRBM.
PROPOSED	<ul style="list-style-type: none"> • Mandatory requirement for taxpayers to submit the RPGT return electronically. • A deemed assessment (for RPGT payable cases) or certificate of non-chargeability (for cases where no RPGT payable) will be deemed to be issued by the IRBM upon the submission of RPGT return electronically. • For RPGT payable cases, payment period is extended from 60 days to 90 days from the date of disposal. • 10% penalty will be imposed for late payment.
DATE	From 1 January 2025.
COMMENTARY	<p>With this proposal, the assessment of RPGT will be shortened. However, the onus is on taxpayers to determine the RPGT payable under the self-assessment system. Therefore, it is important to ensure that the RPGT computation is accurate before submission is made. Since there will be no official assessment from the IRBM, any mistakes may result in additional RPGT payable and penalties in the future.</p>



PRESENT

Currently, stamp duty is on the official assessment system. Duty payers will submit the instrument to the IRBM for their assessment on the stamp duty payable. Upon a Notice of Assessment being issued by the IRBM, payments are then made by the duty payers through the Stamp Assessment and Payment System (STAMPS).

PROPOSED

It is proposed that a self-assessment stamp duty system (STSDS) be implemented, where every person shall furnish to the Collector a return in the prescribed form together with an instrument which is executed and chargeable with duty by an electronic medium. A return shall specify the description of the instrument and the amount of duty with which the instrument is chargeable and, shall contain such particulars as may be required by the Collector.

Where a person has furnished a return together with an instrument, the Collector shall be deemed to have made an assessment of duty on the instrument based on the information furnished in the return, and the duty shall be due and payable on the deemed date of assessment.

Duty payers may claim relief for any excess duty paid due to an error or mistake by making an application in writing to the Collector for relief within twenty-four (24) months after a return is furnished.

The new proposals in the Finance Bill 2024 also empowers the Collector to conduct audits and investigations. The Collector may raise an assessment or additional assessment on underpaid/insufficient duty within five (5) years after the date the stamp duty is paid or would have been paid, except in cases of any form of fraud, willful default or negligence related to duty on instruments.

As such, the duty payer is required to maintain records of all relevant documents (instruments, books, accounts, records, documents, objects, articles, materials and things) for a period of seven (7) years from the date the duty is paid for the Collector's inspection.

The new proposals in the Finance Bill 2024 also sets out the penalties that a duty payer may incur for failure to keep records, failure to submit returns, or submission of an incorrect return (whether through omission, under-reporting, or provision of inaccurate information). Duty payers who are guilty of an offence may be liable on conviction to the following penalties:

Implementation of Self-Assessment System for Stamp Duty (cont.)

PROPOSED

No.	Offence	Penalties
1.	Failure to keep record and other offences	Liable on conviction to a fine not exceeding RM10,000.
2.	Failure to furnish return with the instrument which is executed and chargeable with duty	Liable on conviction to a fine not exceeding RM10,000.
3.	Incorrect returns	<p>Liable on conviction to a fine of not less than RM1,000 and not more than RM10,000.</p> <p>Additionally, the person shall pay a special penalty equal to the amount of duty which has been undercharged in consequence of the incorrect return or incorrect information or which would have been undercharged if the return or information had been accepted as correct.</p>

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

COMMENTARY

This proposal was announced in the Budget 2025 speech. The amendment to the law is now being formally proposed in the Finance Bill 2024.

At first glance this proposal seems to streamline and enhance the efficiency of the current stamping procedure. However, the proposal also places the onus on the duty payer to ensure that the stamp duty payable is correctly assessed. Duty payers should ensure that any stamp duties chargeable are correctly assessed and the proper procedures are followed to avoid incurring any penalties.

PRESENT	<p>In situations where real property is exchanged for another real property, an <i>ad valorem</i> duty will be imposed on the principal instrument concerning the payment for equality.</p> <p>Fixed duty will be imposed on the other instruments completing the property exchange.</p>
PROPOSED	<p>Under the new measures provided in the Finance Bill 2024, it is proposed that stamp duty shall be imposed as follows:</p> <p><u>Ad valorem duty</u> Where there is an exchange of real property for another real property, or upon the partition or division of any real property, whether with or without consideration, the principal or only instrument effecting it is to be charged with an <i>ad valorem</i> duty as if it were a conveyance on sale.</p> <p><u>Fixed duty</u> An exemption is made for the specific scenarios set out below, which will incur a fixed duty of RM10 for exchanges of real property for another real property, or upon the partition or division of any real property between:-</p> <ol style="list-style-type: none"> Subdivision or partitioning of land where both transferor and transferee are the original co-owners of the real property; Exchange of real property is between any person and a Ruler of a State or the Government of Malaysia or of any State; or Exchange of property is between husband and wife, parent and child, grandparent and grandchild or among siblings.
DATE	From 1 January 2025.
COMMENTARY	<p>The proposed amendment to the law introduces significant changes to the imposition of duties on exchange of properties. The scope of an <i>ad valorem</i> duty is significantly widened. However, the fixed duty of RM10 for the proposed exempted parties will provide relief for transferees and transferors in these relationships.</p>

PRESENT	<p>Currently, at the hearing of an appeal, an appellant (a taxpayer) can present additional or amended grounds of appeal beyond those initially stated in the petition (i.e. Form Q). However, if the appellant does so without providing reasonable notice to the DG, the Special Commissioners of Income Tax (SCIT) are required to adjourn the hearing for a reasonable period if the DG requests it.</p>
PROPOSED	<p>It is proposed that amendments to the grounds of appeal in Form Q will only be allowed within 6 months from the date the appeal has been forwarded by the DG to the SCIT. The appellant will be required to give written notice of any amendments to both the SCIT and the DG within this period.</p>
DATE	<p>1 January 2025.</p>
COMMENTARY	<p>The proposal introduces a 6-month written notice requirement for the appellant if he wishes to rely on new or amended grounds of appeal during the hearing. This adds greater specificity and a stricter timeline.</p>

PRESENT

Under Section 15C of the MITA, any gains or profits from disposal of shares held in a controlled company incorporated outside Malaysia (foreign company) are deemed to be acquired from Malaysia if the foreign company owns either of the following:

- a) real property situated in Malaysia; or
- b) shares in Malaysian controlled company provided that the real property (including any right or interest thereof) owned by another controlled company in Malaysia is not less than 75% of the value of its total tangible assets; or
- c) both (a) and (b).

This applies where the market value of (a), (b) and (c) is more than 75% of the value of its total tangible assets of the foreign company.

Currently, shares of the controlled company shall be deemed to be acquired on the following dates:

- On the date when the defined value of the controlled company is $\geq 75\%$ of the total tangible assets; or
- On the acquisition date of shares of the controlled company.

PROPOSED

It is proposed that amendment to the Section 15C of the MITA be made as follows:

Legislation	Particulars
Section 15C(2)	A relevant company will become a non-relevant company when defined value is less than 75% of total tangible assets after the disposal of real property, shares in another controlled company or both.
Section 15C(2A) & (4A)	Application of the date and acquisition price of Real Property Company (RPC) shares under Paragraph 34A, Schedule 2 of the Real Property Gains Tax 1976 if the relevant company is an RPC prior to 1 January 2024.
Section 15C(3)	The acquisition date of a relevant company shares will include the subsequent acquisition of real property, shares of another controlled company or both by the relevant company.
Section 15C(4)	Following the amendment to Section 15C(3), the formula for determining the acquisition price shall be amended to reflect the total number of shares and the defined value as of the subsequent acquisition date.
Section 15C(5)	A new definition of "Another Controlled Company" is, which refers to a controlled company which owns real property situated in Malaysia (including any right or interest thereof) or shares in another controlled company, or owns both, where the defined value of the real property or shares, or both, is not less than 75% of the value of its total tangible asset.

DATE

From 1 January 2025.

COMMENTARY

Capital Gains Tax (CGT) was announced in Budget 2024 and was in effect on 1 January 2024.

Now, the amendment to the law has been proposed in the Finance Bill 2024 to re-align the RPC rules for shares of relevant companies acquired prior to the implementation of CGT. Additionally, the amendment aims to enhance the application of CGT rules by introducing definitions for “non-relevant company” and “another controlled company,” as well as further clarify the determination of the acquisition date for the relevant company shares.

PRESENT	<p>In situations where more than one chargeable asset is disposed of on the same year of assessment, the chargeable gains are determined based on the total gains from all the disposed assets.</p> <p>An allowable loss arising from the disposal of chargeable assets is allowed for set-off against chargeable gains arising from disposal of other chargeable assets in the same year of assessment.</p> <p>Any unutilised allowable loss can be carried forward for offset against future chargeable gain until it is fully utilised.</p>
PROPOSED	<p>Each chargeable asset to be disposed should calculate the chargeable gains and subject to RPGT separately.</p> <p>Any allowable loss arising from the disposal of chargeable assets can only be set-off in subsequent disposal in the same year of assessment.</p> <p>Any unutilised allowable loss can be carried forward to the following YA for offset against future chargeable gain sequentially.</p>
DATE	<p>From 1 January 2025.</p>
COMMENTARY	<p>This amendment may not be beneficial to taxpayers who plan to dispose of more than one chargeable assets (i.e., with the mix of chargeable gain and losses) at once within the same year of assessment as the allowable losses arising from the disposal of chargeable assets can only be used to offset against the chargeable gains arising from the subsequent disposal of chargeable assets.</p>

Stamp Duty on Lease or Agreement for Lease of Any Immovable Property and for Securing the Payment for the Provision of Services or Facilities or to Other Matters or Things in connection with such Lease

PRESENT

Currently, the stamp duty rates on lease or agreement for lease of any immovable property and for securing the payment for the provision of services or facilities or to other matters or things in connection with such lease are as follows:

Sub-item (a) Average rent and other annual consideration	Current Duty Rates		
	Less than 1 year	Exceeding 1 year but less than 3 years	Exceeding 3 years
Below RM2,400	Nil	Nil	Nil
For every RM250 or part thereof exceeding RM2,400	RM1.00	RM2.00	RM4.00

PROPOSED

It is proposed that the stamp duty rates on lease or agreement for lease are as follows:

Sub-item (a) Average rent and other annual consideration	Proposed Duty Rates			
	Less than 1 year	Exceeding 1 year but less than 3 years	Exceeding 3 year but less than 5 years	Exceeding 5 years
For every RM250 or part thereof	RM1.00	RM3.00	RM5.00	RM7.00

DATE

Effective from 1 January 2025.

COMMENTARY

This proposal will increase the cost of renting a premise. The revised rates may reflect efforts to align with market values, economic goals, or public revenue strategies.

PRESENT	Currently, stamp duty of RM10 will be imposed on power or letter of attorney for the sole purpose of appointment or authorizing any person to vote as proxy at a meeting of a Company or Association.
PROPOSED	<p>It is proposed that an <i>ad valorem</i> duty and a fixed amount of duty will be imposed as follows:-</p> <p><u>Ad Valorem Duty</u></p> <p><i>Ad valorem</i> duty will be imposed on instruments with conveyance features involving consideration.</p> <p><u>Fixed Duty of RM10</u></p> <p>A fixed duty of RM10 will be imposed on instruments other than the above.</p>
DATE	Effective from 1 January 2025.
COMMENTARY	Instruments of Powers of Attorney but involve the transfer of property or assets with consideration (i.e. monetary compensation) will now be subject to an <i>ad valorem</i> stamp duty, calculated based on the value of the property or transaction involved. This could lead to higher stamp duties for individuals or businesses using such documents in property-related matters.

PRESENT	<p>Presently, basis period for a Labuan entity in relation to a YA refers to the accounting period or periods ending in the calendar year immediately preceding that YA. In other words, the income tax assessment for a Labuan entity under the Labuan Business Activity Tax Act 1990 is based on the preceding year.</p>
PROPOSED	<p>It is proposed that the income tax assessment for Labuan entities be changed from preceding year assessment (PYA) to current year assessment (CYA). This proposed change will take effect in year 2025, with two (2) YAs:</p> <ul style="list-style-type: none"> a. YA 2025 - the basis period ending in the year 2024 (PYA); and b. YA 2025 - the basis period ending in the year 2025 (CYA). <p>At the same time, a new Section 29 on “Saving and Transitional Provision” will be introduced to avoid ambiguities between the Principal Act and the Labuan Business Activity Tax (Amendment) (No. 2) Bill 2024.</p>
DATE	<p>From 1 January 2025.</p>
COMMENTARY	<p>The transition from PYA to CYA for Labuan entities in year 2025 is a significant step towards aligning Labuan's tax framework with broader practices, improving consistency and compliance.</p> <p>The transitional arrangement for YA 2025, covering both the basis periods ending in 2024 (PYA) and 2025 (CYA), ensures a smooth shift while minimizing disruption. Labuan entities should prepare for this change by reviewing compliance processes and seeking professional guidance to navigate the transition seamlessly.</p>

Finance Bill 2024

Proposed Measures

| For individuals



PRESENT	<p>Since YA 2008, the single-tier dividend system has been introduced where profits are taxed at company level and dividends received by shareholders are exempted from tax.</p>
PROPOSED	<p>Dividend Tax at the rate of 2% will be imposed on chargeable dividend income received by individual shareholders, including resident individuals, non-residents and individuals who hold shares through nominees, for dividends paid, credited or distributed, whether in monetary form or otherwise, by the company in Malaysia. This tax will be imposed on individuals with annual dividend income exceeding RM100,000. If the individual has income from a source other than dividend, the chargeable income of the individual shall be prescribed by the Minister.</p> <p>The Company shall upon paying, crediting or distributing the dividend, furnish the shareholders with a certificate detailing the following in respect of the dividend:</p> <ol style="list-style-type: none"> the gross amount; and the amount paid or credited or where the dividend consists of property other than money, the amount of the market value of that property at the time of the distribution of the dividend. <p>However, exemptions would be given for dividend income below RM100,000, dividend income from abroad, dividends distributed from profits of companies that received pioneer status and reinvestment allowances, dividends distributed from profits of exempted shipping companies, dividends from profits of cooperatives, dividend income declared by closed-end funds, dividends received by residents from Labuan entities, and dividends for which exemption is given at shareholder level. Additionally, it does not apply to profit distributions made to contributors and depositors by Employees Provident Fund (KWSP), Lembaga Tabung Angkatan Tentera (LTAT), Amanah Saham Nasional Bumiputera (ASNB), or any unit trust.</p>
DATE	<p>Effective from YA 2025.</p>
COMMENTARY	<p>The proposal was announced in the Budget 2025 speech. Now, the amendment to the law is being proposed in the Finance Bill 2024. The introduction of 2% dividend tax aims to increase government revenue by targeting individuals who receive substantial dividend income. The imposition of this 2% of dividend tax could potentially encourage fairer wealth distribution and provide additional funds for various sectors and stakeholders.</p>



Talk to us about your goals for 2025



Foo Meng Huei
Head of Tax
menghuei.foo@crowe.my

Crowe Malaysia

Level 15, Tower C, Megan Avenue II,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

Tel. +603 2788 9898

www.crowe.my

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