

# BUDGET 2025 HIGHLIGHTS

## PERSONAL TAX

### Dividend Tax (2%)

Dividend Tax will be imposed on chargeable dividend income (after taking into account allowances and deductions) received by individual shareholders with annual dividend income **exceeding RM100,000**.

Exemption from Dividend Tax:

- dividend income from abroad;
- dividend income distributed from profits of companies that received pioneer status and reinvestment allowances;
- dividend income paid, credited or distributed from profits of shipping companies that are exempted from tax;
- dividend income distributed by cooperative;
- dividend income declared by closed-end funds;
- dividend income received by residents from Labuan entities; and
- any exemption given on dividend income at shareholder level.

*Effective YA2025*

### Extension on Tax Exempt Income

The income from sources outside Malaysia received by individual residents in Malaysia, which is exempted from tax until 31 December 2026 to be **extended until 31 December 2036**.

*Effective 1/1/2022 to 31/12/2036*

### Tax Relief on Housing Loan Interest Payment for First Residential Home

Tax relief is given on interest payment for first residential home loan (individually or jointly owned) as follows:

- **Up to RM7,000** per year for homes up to RM500,000
- **Up to RM5,000** per year for homes above RM500,000 and up to RM750,000

The relief is subject to the following:

- residential home must not be used to generate any income; and
- sale and purchase agreement (SPA) must be executed from 1 January 2025 until 31 December 2027.

*For SPA executed from 1/1/2025 until 31/12/2027*

### Tax Relief for Education and Medical Insurance

Tax relief on premium paid for education and medical insurance increased from **RM3,000 to RM4,000**.

*Effective YA2025*

### Tax Relief for Medical Treatment Expenses for Self, Spouse and Child

The scope on medical treatment is expanded to include the following:

- purchase of self-test kit, such as COVID-19 and influenza test kit;
- purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitors and thermometer; and
- fees for disease detection examination conducted at clinics or hospital, such as blood test, ultrasound, mammogram and pap smear.

**RM4,000 to RM6,000** increase in relief limit for assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged below 18 years with learning disability.

*Effective YA2025*

### Tax Relief for Disabled Person

Tax relief for disabled person to be increased as follows:

- **RM6,000 → RM7,000** for disabled individual taxpayer
- **RM5,000 → RM6,000** for individual taxpayer with a disabled spouse
- **RM5,000 → RM6,000** for individual taxpayer with unmarried disabled children

*Effective YA 2025*

### Expansion of Tax Relief for Sport Activities, Health and Elderly Care

Individual income tax relief

- Expenses on sports equipment and activities for self, spouse and child up to RM1,000 to be **expanded to parents**.
- The scope of medical relief is expanded to **cover grandparents** and the full medical check-up expenses to be **expanded to include vaccination**.

Individual income tax exemption

- Childcare allowance up to RM3,000 per year received by employees / paid directly by employers to childcare centres is **expanded to include elderly care for parents and grandparents**.

*Effective YA 2025*

### Tax Relief on Expenses for Green Technology Equipment

The scope of relief on expenses for electric vehicle charging equipment is **expanded to include the purchase of food waste composting machines** for household use.

The relief for the purchase of food waste composting machines is allowed to be claimed once within 3 YAs.

*Effective YA 2025 to YA 2027*

### Extension of Individual Income Tax Relief on Contribution to PRS and Deferred Annuity

RM3,000 tax relief in respect of contributions to PRS and paid premiums for deferred annuity to be **extended for 5 years**.

*Effective YA 2026 to YA 2030*

### Extension of Tax Relief for Nursery or Kindergarten Fees

Up to RM3,000 tax relief for taxpayers for fees paid to registered Child Care Centres (TASKA)/ kindergarten (TADIKHA) to be **extended for 3 years**.

*Effective YA 2025 to YA 2027*

### Extension of Tax Relief Period on Net Savings in the National Education Savings Scheme (SSPN)

Income tax relief of RM8,000 on net annual saving in SSPN to be **extended for another 3 years** with additional conditions:

- Tax relief can only be claimed by either parent, for SSPN savings, with maximum claim up to RM8,000; and
- 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 YA 2025 to YA 2027*

# CORPORATE TAX

## Tax Incentives for Implementation of e-Invoicing

To encourage the implementation of e-Invoicing, ACA rates revised as follows:

Qualifying Expenditure	Capital Allowance Rate
ICT equipment and computer software package	<b>Initial allowance:</b> <b>20%</b>
Consultation, licensing and incidental fees related to customized computer software development	<b>Annual allowance:</b> <b>40%</b>

*Effective YA2024 to YA2025*

## Tax Incentive for Employers Implementing Flexible Working Arrangements

**50% further deduction** given to employers that incur expenses for capacity building and software acquisition to implement flexible working arrangements.

The further deduction is given once and capped at RM500,000.

*For applications received by Talent Corporation Malaysia Berhad from 1/1/2025 to 31/12/2027*

## Tax Incentive for Employers Providing Caregiving Leave Benefit

**50% further deduction** given to employers who provide additional paid leave of up to 12 months for employees caring for children, ill or disabled family members.

*For applications received by Talent Corporation Malaysia Berhad from 1/1/2025 to 31/12/2027*

## Expansion of Childcare Allowance

The scope of further deduction on childcare allowance paid by employers is **expanded to include those that are related to elderly care (parents/grandparents)**.

*Effective YA2025*

## Tax Incentive for Women Returning to the Workforce

**50% further deduction** given to employers on employment expenses paid for a period of 12 months for hiring women returning to work.

*For applications received by Talent Corporation Malaysia Berhad from 1/1/2025 to 31/12/2027*

### Tax Incentive for Structured Internship Programme

Existing double deduction given to companies implementing structured internship programme to be **extended for another 5 years from YA2026 → YA2030** and expanded to include hire of students pursuing structured training conducted by industry regulatory bodies.

*Effective YA2026*

### Tax Deduction on the Cost of Developing New Courses at Private Higher Education Institutions

Tax deduction on the cost of developing new courses by private higher education institutions be given in full in the same YA, rather than over a period of 3 YAs.

The scope of tax deduction is also extended to include the development of technical and vocational education, and training courses by private skills training institutions.

*Effective YA2025 to YA2030*

### Tax Deduction on Donations of New Equipment and Machines

Companies will be given tax deduction on new equipment and machines donated to Institut Latihan Kemahiran Awam, polytechnics, or registered vocational colleges.

*Effective YA2025 to YA2027*

### Scope of Relief provided by Charitable Organisations

The scope of relief provided by charitable organisations under Section 44(6) of the Income Tax Act to be expanded to include donations to non-citizens.

*Effective date to be announced*

### Support For Teaching Staff's Salaries of Approved Educational Organisations

To improve access to education for students from families with financial difficulties, the Government will pay the salaries or wages of teaching staff of educational institutions or organisations approved under Section 44(6) of the Income Tax Act.

*Effective date to be announced*

### Extension of Tax Deduction for Sponsorship of Smart AI-Driven Reverse Vending Machine

Tax deduction under Section 34(6)(h) of the Income Tax Act is given for donations or sponsorships of smart AI-driven reverse vending machines for applications received by the MOF from 1 April 2023 to 31 December 2024. It is proposed that the tax deduction be **extended for 2 years**.

*Effective 1/1/2025 to 31/12/2026*

## TAX INCENTIVES

### Implementation of New Investment Incentive Framework for High-Value Activities

Scope	Investment Incentive
New incentives for supply chain	<p>Introduction of new incentives for supply chain:</p> <ul style="list-style-type: none"> <li>• Double tax deduction given to MNE spending up to RM2 million each year for 3 consecutive years</li> <li>• Tax deduction on the investment amount given to the MNE or its suppliers that enter into joint ventures with other local suppliers</li> <li>• Specially curated tax incentive package given to local supply chain suppliers</li> <li>• Investment matching fund of more than RM100 million via public equity funding platform to support the expansion of local suppliers in the E&amp;E industry, specifically chemical and medical device</li> </ul>
Establishment of specialised economic groups	Economic groups will be established based on state specialisations, such as renewable energy in Perlis and Sabah, and specialised chemical industry in Pahang and Terengganu.
Special income tax incentives for investments	Special income tax incentives offered for investments made in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak, based on the success of the economic spillovers.
Tax incentives for promoting CCUS activities	Tax incentives such as investment tax allowances and income tax exemption are provided for CCUS activities to promote ESG-based investments.

*Effective 3<sup>rd</sup> quarter of 2025*

### Forest City Financial Zone

Following the signing of the Memorandum of Understanding of JSSEZ, the Forest City has been approved as a Duty-Free Island. An incentive package for Forest City Special Financial Zone will be introduced to promote financial service activities such as financial global business services and Fintech.

To drive the success of the Single Family Office Scheme, the Securities Commission will oversee the approval of the grant of Resident Passes and Employment Passes to each Founding Family Investor and related Family Offices.

To drive the growth of JSSEZ as special economic zone, a special incentive will also be introduced to attract high-quality investments and offer high-paying jobs, with further details to be announced by the end of this year.

To further facilitate investments, the Invest Malaysia Facilitation Centre –Johor is also currently being established.

### Tax Incentive for SLC

Income tax exemption equivalent to an ITA of 60% on qualifying capital expenditure incurred for a period of 5 years provided to SLC companies and set-off against up to 70% of statutory income for each YA, which are subject to conditions.

Conditions:

- Eligible SLC companies:
  - SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
  - SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertakes eligible logistics services activities.
- Eligible logistics services:
  - regional distribution centres;
  - integrated logistics services;
  - storage of hazardous goods; or
  - cold chain logistics.
- Warehouse with a minimum build-up area of 30,000 sqm
- Adaptation of at least three Fourth Industrial Revolution (IR4.0) elements
- Other conditions as prescribed

*For applications received by MIDA from 1/1/2025 to 31/12/2027*

# STAMP DUTY

## Implementation of STSDS

It is proposed that STSDS be implemented in phases as follows based on the types of instruments or agreements to ensure that the stamping and self-payment system is more efficient and to enhance compliance:

Phase	Effective Date	Type of Instruments
Phase 1	From 1/1/2026	Instruments or agreements related to rental or lease, general stamping and securities
Phase 2	From 1/1/2027	Instruments of transfer of property ownership
Phase 3	From 1/1/2028	Instruments or agreements other than those stated in Phase 1 and Phase 2

Under STSDS, duty payers are now required to undertake a self-assessment of the value of stamp duty and make payment within the specified timeframe. It is crucial for duty payers to ensure the correct stamp duty is paid within the specified timeframe as any incorrect assessment of stamp duty would potentially result in penalties.

## Exemption of Stamp Duty on Loan or Financing Agreements through the IEO Platforms for MSME

100% exemption of Stamp Duty on Loan or Financing Agreements through the IEO Platforms for MSME agreements executed by MSME and investors through the IEO platforms registered with the Securities Commission Malaysia for 2 years to facilitate expanding MSME access to raise business capital through alternative financing.

*For loan or financing agreements executed from 1/1/2025 to 31/12/2026*

## Stamp Duty on Loan or Financing Agreements based on Shariah Principles

RM10 fixed stamp duty to be imposed on loan or financing agreement for the purchase of goods based on Shariah principles, other than hire purchase.

*For loan or financing agreements based on Shariah principles executed from 1/1/2025*

## Revision of Stamp Duty Exemption on Loan or Financing Agreements for SPM

The amount of loan or financing agreements under the SPM which is exempted from stamp duty is proposed to be increased from **RM50,000** → **RM100,000** to assist MSME in obtaining unsecured loans or financing.

*For loan or financing agreements under the SPM executed from 1/1/2025*



### Stamp Duty on the Assignment of Life Insurance Policy and Family Takaful Certificate

Stamp duty on deed of assignment for life insurance policy and family takaful certificate given by way of love and affection or through a trustee is proposed to be revised as follows to reduce the deed of assignment costs and promote insurance and takaful protection of family members:

Ownership Transfer Value	Current Ad Valorem Stamp Duty Rate	Proposed Fixed Stamp Duty (RM)
First RM100,000	1%	10
Between RM100,000 to RM500,000	2%	100
Between RM500,000 to RM1 million	3%	500
More than RM1 million	4%	1,000

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

# INDIRECT TAX

## Review of Sales Tax Rates and Expansion of Service Tax Scope

To strengthen the fiscal position, the Government is reviewing the current sales tax rates and scope of service tax as follows:

- Sales tax exemption shall be maintained on basic food items consumed by the Rakyat.
- Increase of sales tax rates on non-essential and imported items. Potentially, 5% or 10% sales tax will be imposed on premium foods items such as salmon, avocado, wagyu, shine muscat grapes etc.
- Expansion of scope of service tax to include commercial service transactions between businesses (B2B) such as fee-based financial services.

This proposal aims for a more progressive implementation of sales tax and service tax to strengthen the fiscal position and broaden the tax base.

*Effective 1/5/2025*

## Review of Excise Duty Rate on SSB

Currently, excise duty is imposed at the rate of RM0.50 per litre on SSB depending on the threshold value of sugar content for different types of beverages such as carbonated drinks, flavoured milk-based beverages, fruit juices and vegetable juices.

In line with the Government's ongoing efforts to combat diabetes and obesity, it is proposed that the excise duty rate on SSB be increased in phases from 1 January 2025 by RM0.40 per litre.

*Effective 1/1/2025 (in phases)*

## Increase of export duty rates based on the CPO market price per metric ton

The export duty rates are increased where the CPO market price per metric ton is RM3,601 or more. New price bands are proposed with a 0.5% increment in rates, capped at 10% for market price per metric ton of RM4,051 and higher.

*Effective 1/11/2024*

## Increase of CPO threshold value for windfall levy

The CPO threshold value be increased from RM3,000 to RM3,150 per metric ton for Peninsular Malaysia and RM3,500 to RM3,650 per metric ton for Sabah and Sarawak. The levy rate remains at 3%.

*Effective 1/1/2025*

**Sales tax exemption on mastectomy bra for breast care patients**

Mastectomy bra under the tariff code 6212.10.1100 and 6212.10.9100 will be exempted by way of application to the MOF submitted from 1/11/2024 to 31/12/2027.

*Effective 1/11/2024 to 31/12/2027*

The highlights are for general guidance only. It is prepared based on the information available as at 23.10.2024.