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2025 Budget Highlights



Now, for tomorrow





Malaysia's Budget 2025, themed "Madani Economy: Negara Makmur, Rakyat Sejahtera" was met with much anticipation especially with the strengthening of the Ringgit and better-than-expected economic outlook for the nation. The country looked forward to policies that will sustain the momentum, maintain the positive outlook we are experiencing, and continue to instil confidence in our economic sustainability and viability.

Budget 2025 is commendable with the Government's bold fiscal policies, commitment to rebuilding investor confidence and getting Malaysia back on the right trajectory towards becoming a high-income nation with a more equitable distribution of wealth. As expected, this means broadening the tax base for a sustainable long-term growth of the nation.

The emphasis on supporting SMEs through targeted incentives and financing facilities is a step in the right direction. We particularly welcome initiatives that promote digital transformation and innovation, which are crucial for staying competitive in the global market.

At Baker Tilly Malaysia, we remain committed to supporting our clients through the changes introduced in Budget 2025, offering strategic guidance on how best to navigate the opportunities and challenges ahead.

Andrew Heng
Group Managing Partner
Baker Tilly Malaysia



The 2025 Malaysian Budget was tabled today. To my mind, it was certainly a 'caring and compassionate' budget which in summary contained a mix of income redistribution, pragmatic tax incentives aimed at selective sectors, and populist measures in relation to bumiputera and non-bumiputera socio-economic development.

On a macro level, we note that our development expenditure allocations are still proportionately on the decline in terms of overall budget spend, and we are still with a high operating budget relative to our revenue. What I did appreciate is the Finance Minister's attempts to re-deploy revenue to improving and enhancing public infrastructure and utilities and reduce wastage by government institutions and agencies.

The expansion of the SST regime is intriguing – will there be a shift towards SST becoming a modified system allowing for input credits in order that it is no longer a multi-stage tax? This will allow for rate and scope expansion and boost tax revenues considerably. The dividend tax is an interesting development but raises the issue of taxes being imposed twice on corporate profits declared to shareholders.

All in all, in the context of where Malaysia is currently in, this Budget delivers on the overall ambition of reducing wastage, enhancing livelihoods of the M40 and B40, closing the budget deficit further whilst managing government debt levels as best possible. A 'pass' I guess.

Anand Chelliah
Managing Partner, Tax Services
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Pertinent Tax Measures

The 2025 Budget was announced on 18 October 2024 by the Prime Minister Datuk Seri Anwar Ibrahim who is also the Honourable Finance Minister. Some of the notable tax measures observed are as follows:



Dividend Tax at the rate of 2% will be imposed on annual dividend income exceeding RM100,000 received by individual shareholders (resident individuals, non-residents and individuals who hold shares through nominees).

The chargeable dividend income will be computed based on dividends paid, credited or distributed from company profits and exclude dividend income from abroad, profit distributions made to contributors by the Employees Provident Fund etc.

Effective from the year of assessment (YA) 2025.



Income tax exemption on Foreign Sourced Income received in Malaysia by Malaysian resident individuals which are currently available until 31 December 2026 will be extended until 31 December 2036.



Tax incentive for implementation of e-Invoicing in the form of Accelerated Capital Allowances for the purchase of ICT equipment and computer software packages, including consultation, licensing and incidental fees related to customised computer software development, to be fully claimed within 2 years. Effective from YA 2024 to YA 2025.



Personal Income Tax



Tax relief for full medical check-up, mental health check-up or consultation and COVID-19 detection test limited to RM1,000 will be expanded

Tax relief for assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged below 18 years etc. be increased from RM4,000 to RM6,000.

Effective from YA 2025



Tax relief for disabled individual person, individual taxpayer with a disabled spouse, and individual taxpayer with unmarried disabled children be increased up to RM8,000.

Effective from YA 2025



Expansion of tax relief for sports activities, health and elderly care to parents and grandparents.

Expansion of tax exemption on childcare allowance received by employees or paid directly by employers to childcare centres and further tax deductions on childcare allowance paid by employers to employees, to include elderly care (parents/grandparents).

Effective from YA 2025



Personal Income Tax



Tax relief of up to RM3,000 on contributions to Private Retirement Schemes and premiums paid for deferred annuities be extended for a period of 5 years from YA 2026 until YA 2030.



Tax relief on premiums paid for education and medical insurance be increased from RM3,000 to RM4,000 from YA 2025.



Tax relief on net savings in the national education savings scheme of up to RM8,000 on net annual savings in SSPN be extended for 3 years from YA 2025 until YA 2027.



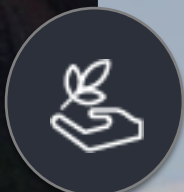
Personal Income Tax



Tax relief on housing loan interest payments for first residential home loan (individually or jointly owned) up to RM7,000 for the sales and purchase agreement of the first residential home executed from 1 January 2025 until 31 December 2027.



Tax relief for nursery or kindergarten fees be extended from YA 2025 until YA 2027.



Tax relief on 'greening' expenses be expanded to include the purchase of domestic food waste composting machines for household use, with relief limit remaining at RM2,500 to be claimed once within 3 YAs.

Effective from YA 2025 until YA 2027



Corporate Income Tax Incentives



Tax incentive for smart logistics complex (“SLC”) be given Investment Tax Allowance (“ITA”) of 60% on qualifying capital expenditure incurred for a period of 5 years and available for set-off against up to 70% of statutory income for each YA.

For application received by the Malaysian Investment Development Authority (MIDA) from 1 January 2025 until 31 December 2027.



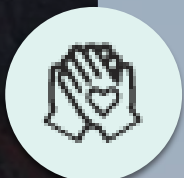
Tax deduction on cost of developing new courses by Private Higher Education Institutions (PHEIs) be allowed to be fully claimed within the same year of assessment. This incentive is also extended to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions.

Effective from YA 2025 until YA 2030.



Employers implementing flexible work arrangements (“FWA”) on expenses for capacity building and software acquisition be given a 50% further deduction capped at RM500,000.

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



Employers providing caregiving leave benefit (additional paid leave of up to 12 months for employees caring for children or ill or disabled family members) be given a 50% further deduction.

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



Employment expenses for hiring women returning to work (paid for a period of 12 months) will be given a 50% further deduction.

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



Extension/Expansion of Current Corporate Income Tax Incentives



Extension of tax deduction for sponsorship of smart artificial intelligence driven reverse vending machine for a period of 2 years from 1 January 2025 until 31 December 2026.



Tax incentive for increased exports be expanded to include IC Design services from YA 2025.



Stamp Duty



Fixed stamp duty of RM10 to be imposed on loan or financing agreements 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 January 2025



Full exemption of stamp duty on loan or financing agreements executed by Micro, Small and Medium Enterprises (MSMEs) and investors through the Initial Exchange Offering (IEO) platforms registered with the Securities Commission Malaysia for 2 years.

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



Indirect Tax



Sales tax exemption on mastectomy bras. For applications received by the Ministry of Finance from 1 November 2024 until 31 December 2027.



Sales tax to be increased on non-essential items such as imported premium goods. Effective from 1 May 2025.



Service tax to be expanded to include new services such as commercial service transactions between businesses (B2B), with effect from 1 May 2025.

TAX & BUDGET WEBINAR

29 October 2024 | 2.00pm – 5.00pm

Speakers



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Disclaimer:

The information contained in this document is based on current taxation laws and other related legislation, including proposals and measures contained in the 2025 Malaysian Budget announcement on 18 October 2024. Every effort has been made to ensure that the information contained in this leaflet is accurate and based upon our understanding and interpretation of the relevant information obtained from the Budget 2025 Speech, Appendices and relevant sources, and is subject to the issuance of the impending Finance Bill.

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