

2025 Budget – Finance Bill 2024





INTRODUCTION

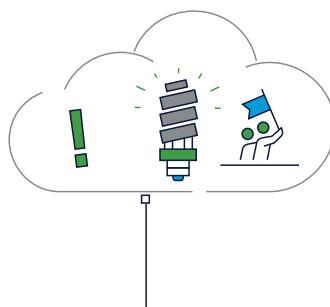
Following Malaysia's Budget 2025 which was presented on 18 October 2024, the Ministry of Finance ("MOF") has released the following which contain additional tax proposals and changes to the tax proposals announced earlier:

- Finance Bill 2024*;
- Measures for the Collection, Administration and Enforcement of Tax Bill 2024*; and
- Labuan Business Activity Tax (Amendment) (No.2) Bill 2024*.

** Passed at Dewan Rakyat on 4 December 2024*

We are pleased to share with you some of the key updates in this newsletter on: -



- Dividend Tax
- Capital Gains Tax (CGT)
- Real Property Gains Tax (RPGT)
- Stamp Duty
- Global Minimum Tax (GMT)
- Labuan
- Tax Administration





GLOSSARY

Abbreviations / Acronyms	Descriptions
CE	Constituent Entity
CGT	Capital Gains Tax
CYB	Current Year Basis
DGIR	Director General of Inland Revenue
DTT	Domestic Top-up Tax
ETP	Estimate of Tax Payable
FY	Financial Year
GMT	Global Minimum Tax
IRBM	Inland Revenue Board of Malaysia
LLP	Limited Liability Partnership
MNE	Multinational Enterprise
PYB	Preceding Year Basis
RPC	Real Property Company
RPGT	Real Property Gains Tax
RPGTA	Real Property Gains Tax Act 1976
SAS	Self-Assessment System
SCIT	Special Commissioners of Income Tax
the Act	Income Tax Act 1967
TIN	Tax Identification Number
TTA	Total Tangible Asset
UPE	Ultimate Parent Entity
YA	Year of Assessment






Key Highlights from Finance Bill 2024

Areas	Key Highlights
<p data-bbox="108 949 312 981">1. Dividend Tax</p> 	<p data-bbox="437 949 715 981">It is proposed that: -</p> <ol data-bbox="437 1025 1453 1637" style="list-style-type: none"><li data-bbox="437 1025 1453 1182">1. Income tax be charged for each YA at 2% on an individual's (either through direct shareholding or a nominee) chargeable income from dividend paid, credited or distributed (whether in monetary form or otherwise) by a resident company which is in excess of RM100,000.<li data-bbox="437 1218 1453 1525">2. Upon paying, crediting or distributing a dividend, such company is required to furnish the individual shareholders with a certificate stating the following: -<ol data-bbox="485 1368 1414 1525" style="list-style-type: none"><li data-bbox="485 1368 1414 1442">a. Gross amount of the dividend and the amount of dividend paid or credited; or<li data-bbox="485 1447 1414 1525">b. Where the dividend includes property other than money, the market value of the property at the time of the distribution.<li data-bbox="437 1561 1453 1637">3. Any expenses incurred in relation to the exempted dividend income (i.e. first RM100,000 dividend) would not qualify for tax deduction. <p data-bbox="453 1697 874 1760"> Effective date: YA 2025</p>











Key Highlights from Finance Bill 2024

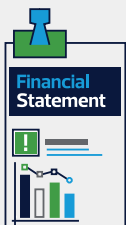
Areas	Key Highlights
<p data-bbox="108 450 197 479">2. CGT</p> 	<p data-bbox="437 450 715 479">It is proposed that: –</p> <ol data-bbox="437 524 1452 1361" style="list-style-type: none"><li data-bbox="437 524 1452 712">1. For a relevant company which is an RPC under RPGTA prior to 1 January 2024 (prior to introduction of CGT), the date of acquisition and acquisition price determined in accordance with RPGTA are deemed to be the date of acquisition and acquisition price under the Act (for CGT purposes).<li data-bbox="437 757 1452 1016">2. Relevant company's status is to be assessed upon each acquisition e.g.<ul data-bbox="485 833 1452 1016" style="list-style-type: none"><li data-bbox="485 833 1452 900">▪ acquisition of shares of a controlled company incorporated outside Malaysia<li data-bbox="485 909 1452 1016">▪ subsequent acquisition of real property or shares of another controlled* company or both by the controlled company incorporated outside Malaysia.<li data-bbox="437 1061 1452 1361">3. A relevant company ceases to be a relevant company from the date of disposal if: –<ul data-bbox="485 1173 1452 1361" style="list-style-type: none"><li data-bbox="485 1173 1452 1240">▪ the relevant company disposes real property or shares of another controlled company* or both; and<li data-bbox="485 1249 1452 1361">▪ the defined value of real property located in Malaysia or the shares of another controlled company* or both at the date of disposal and thereafter falls below 75% of its TTA. <p data-bbox="437 1406 1410 1473"><i>*Another controlled company is defined as a controlled company which owns: –</i></p> <ul data-bbox="437 1518 1362 1666" style="list-style-type: none"><li data-bbox="437 1518 1362 1585">▪ <i>real property situated in Malaysia (including any right or interest thereof) or</i><li data-bbox="437 1594 1043 1630">▪ <i>shares in another controlled company or</i><li data-bbox="437 1639 549 1666">▪ <i>both</i> <p data-bbox="437 1711 1442 1778"><i>where the defined value of real property or shares or both is not less than 75% of the value of its TTA.</i></p> <p data-bbox="453 1845 501 1912"></p> <p data-bbox="533 1859 948 1899">Effective date: 1 January 2025</p>

Key Highlights from Finance Bill 2024

Areas	Key Highlights
3. RPGT	<p>Pursuant to the introduction of SAS under RPGTA, it is proposed that: –</p> <ol style="list-style-type: none">1. Taxpayers (i.e. disposer and acquirer) are required to submit RPGT returns electronically using prescribed forms.2. RPGT (if any), shall be due and payable within ninety (90) days from the date of disposal.3. Chargeable gain from each disposal of chargeable assets shall be ascertained separately.4. Allowable losses in respect of a disposal of chargeable asset shall only be allowed as a deduction against chargeable gain in the subsequent disposal in the same YA. <p> Effective date: 1 January 2025</p>
4. Stamp Duty	<p>It is proposed that: –</p> <ol style="list-style-type: none">1. Duty payers are required to submit stamp duty returns electronically using prescribed forms together with instruments executed and chargeable with duty.<p> Effective Date: 1 January 2026 (Based on the Budget 2025 announcement, the implementation of SAS for stamp duty will be conducted in phases.)</p>2. Duty payable shall be due and payable on the date of deemed assessment.<p> Effective Date: 1 January 2026</p>3. Minimum amount of stamp duty: RM10 per instrument (except cheque and contract note).<p> Effective Date: 1 January 2025</p>4. Record keeping of seven (7) years.<p> Effective Date: 1 January 2026</p>

Key Highlights from Finance Bill 2024

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4. Stamp Duty (Cont'd)	<p>5. Statute of limitation is five (5) years from the date duty is paid or would have been paid (not applicable in the case of fraud, wilful default or negligence).</p> <p> Effective Date: 1 January 2026</p> <p>6. Revised / new penalties: –</p> <table border="1"> <thead> <tr> <th>Offence</th> <th>Penalties</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Late stamping of instruments</td> <td>Revised as follows: –</td> </tr> <tr> <td> <table border="1"> <thead> <tr> <th>Stamping of Instruments</th> <th>Penalties</th> </tr> </thead> <tbody> <tr> <td>Within three (3) months after time of stamping</td> <td>RM50 or 10% of deficient duty (whichever is higher)</td> </tr> <tr> <td>Any other case</td> <td>RM100 or 20% of deficient duty (whichever is higher)</td> </tr> </tbody> </table> </td> </tr> <tr> <td></td> <td> Effective Date: 1 January 2025</td> </tr> <tr> <td>Failure to keep instruments and relevant documents</td> <td> <p>On conviction, be liable to a fine not exceeding RM10,000</p> <p> Effective Date: 1 January 2026</p> </td> </tr> <tr> <td>Failure to furnish return</td> <td> <p>On conviction, be liable to a fine not exceeding RM10,000</p> <p>If there is no prosecution, be liable to fine ranging from RM200 to RM2,000</p> <p> Effective Date: 1 January 2026</p> </td> </tr> </tbody> </table>	Offence	Penalties	Late stamping of instruments	Revised as follows: –	<table border="1"> <thead> <tr> <th>Stamping of Instruments</th> <th>Penalties</th> </tr> </thead> <tbody> <tr> <td>Within three (3) months after time of stamping</td> <td>RM50 or 10% of deficient duty (whichever is higher)</td> </tr> <tr> <td>Any other case</td> <td>RM100 or 20% of deficient duty (whichever is higher)</td> </tr> </tbody> </table>	Stamping of Instruments	Penalties	Within three (3) months after time of stamping	RM50 or 10% of deficient duty (whichever is higher)	Any other case	RM100 or 20% of deficient duty (whichever is higher)		 Effective Date: 1 January 2025	Failure to keep instruments and relevant documents	<p>On conviction, be liable to a fine not exceeding RM10,000</p> <p> Effective Date: 1 January 2026</p>	Failure to furnish return	<p>On conviction, be liable to a fine not exceeding RM10,000</p> <p>If there is no prosecution, be liable to fine ranging from RM200 to RM2,000</p> <p> Effective Date: 1 January 2026</p>
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<p>5. GMT</p> 	<p>It is proposed that: –</p> <ol style="list-style-type: none"> 1. For the purpose of DTT, a CE's (located in Malaysia and which is part of a MNE group) financial accounting net income or loss shall be determined based on the CE's financial statements if: – <ol style="list-style-type: none"> a. all CEs in Malaysia have the same FY as the UPE of the MNE Group; and b. Each CE prepares its own financial statement and such financial statement is audited by an approved company auditor or required to be kept or used under any written law of Malaysia <p data-bbox="448 1585 499 1646"></p> <p data-bbox="536 1574 1418 1653">Effective date: FY beginning on or after 1 January 2025 and subsequent FYs</p>						

Key Highlights from Finance Bill 2024

Areas	Key Highlights
<p>6. Labuan</p> 	<p>Pursuant to the introduction of SAS for Labuan, it is proposed that: –</p> <ol style="list-style-type: none"> 1. Taxpayers (i.e. Labuan entities which are carrying on Labuan business activities) are required to submit return of profits electronically using prescribed forms within seven (7) months from the date following the close of accounting period. 2. Tax payable (if any), shall be due and payable on the due date of the returns of profits. 3. Taxpayers are obligated to provide documents or information electronically to the DGIR for purpose of ascertaining the chargeable profit and tax payable or net profit within 30 days after the due date of submitting the return of profits. <p> Effective Date: YA 2025 in respect of basis period ending in the year 2025</p> <p>It is also proposed that the basis period for a YA be changed from PYB to CYB, giving rise to two YAs for 2025: –</p> <ul style="list-style-type: none"> ▪ YA 2025 in respect of basis period ending in the year 2024 (PYB); and ▪ YA 2025 in respect of basis period ending in the year 2025 (CYB). <p> Effective Date: 1 January 2025</p>



Key Highlights from Finance Bill 2024



Areas	Key Highlights
7. Tax administration	<p>It is proposed that: –</p> <ol style="list-style-type: none">Penalties for incorrect returns, information returns or reports<ul style="list-style-type: none">Where there is no prosecution, taxpayers may be liable to fines ranging from RM20,000 to RM100,000.<p> Effective date: 1 January 2025</p>TIN<ul style="list-style-type: none">TIN to be made available for income tax purposes (e.g. e-Invoicing). Misuse of the TIN information is an offence. Upon conviction, abusers will be liable to: –<ul style="list-style-type: none">A fine of not exceeding RM4,000; orImprisonment for a term not exceeding one (1) year; orBoth.<p> Effective date: 1 January 2025</p>Correction of errors or mistakes in e-Invoices<ul style="list-style-type: none">Section 82C(8) of the Act be amended to provide that correction of errors or mistakes in e-Invoices may be made within 72 hours from the time of issuance of such e-Invoices.<p> Effective date: 1 January 2025</p>E-filing of amended tax return<ul style="list-style-type: none">All taxpayers to submit the amended returns in prescribed forms via e-filing.<p> Effective date: YA 2025</p>



Lifan
One of the
RSM team



Key Highlights from Finance Bill 2024

Areas	Key Highlights
7. Tax administration (Cont'd)	<p>5. Revision of ETP</p> <ul style="list-style-type: none">Section 107C(8) of the Act be amended to the following: -<ul style="list-style-type: none">Where the DGIR directs a company, LLP, trust body or co-operative society to make payment for tax instalments before the eleventh month of a basis period for a YA, such entities may revise its ETP for that YA in the sixth month, ninth month, eleventh month or in all three (3) months. <p> Effective date: YA 2025</p> <p>6. Amendments to grounds of appeal in Notice of Appeal</p> <ul style="list-style-type: none">A taxpayer may vary grounds of appeal if such changes are made within six (6) months from the date of DGIR's notice (i.e. DGIR files the Notice of Appeal to SCIT). <p> Effective date: 1 January 2025</p>



TAX PROFESSIONAL TEAM

Dato' Robert Teo | Head of Tax

T +603 2610 2886

E roberteo@rsmmalaysia.my



CORPORATE TAX COMPLIANCE

Anston Cheah | Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Lim Sok Juan | Associate Director

T +603 2610 2842

E limsj@rsmmalaysia.my

Nur Afiqah Binti Mohd Razali | Associate Director

T +603 2610 2827

E n.afiqah.razali@rsmmalaysia.my

Nicole Chong | Director

T +603 2610 2830

E nicole.chong@rsmmalaysia.my

Soong Kim How | Associate Director

T +603 2610 2848

E soongkh@rsmmalaysia.my

Rachel Low | Associate Director

T +603 2610 2988

E lowwl@rsmmalaysia.my

TAX ADVISORY

Anston Cheah | Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Lee Pei Fern | Manager

T +603 2610 2995

E leepf@rsmmalaysia.my

INDIRECT TAX

Mayadevi Karpayah | Director

T +603 2610 2831

E mayadevi@rsmmalaysia.my

Kalvinder Singh | Senior Manager

T +603 2610 2863

E kalvinders@rsmmalaysia.my

TAX AUDIT AND INVESTIGATION

Anston Cheah | Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Rachel Low | Associate Director

T +603 2610 2988

E lowwl@rsmmalaysia.my

PERSONAL TAX

Mayadevi Karpayah | Director

T +603 2610 2831

E mayadevi@rsmmalaysia.my

Lynda Harun | Senior Manager

T +603 2610 2832

E lynda@rsmmalaysia.my

TRANSFER PRICING

Carolyn Kam | Executive Director

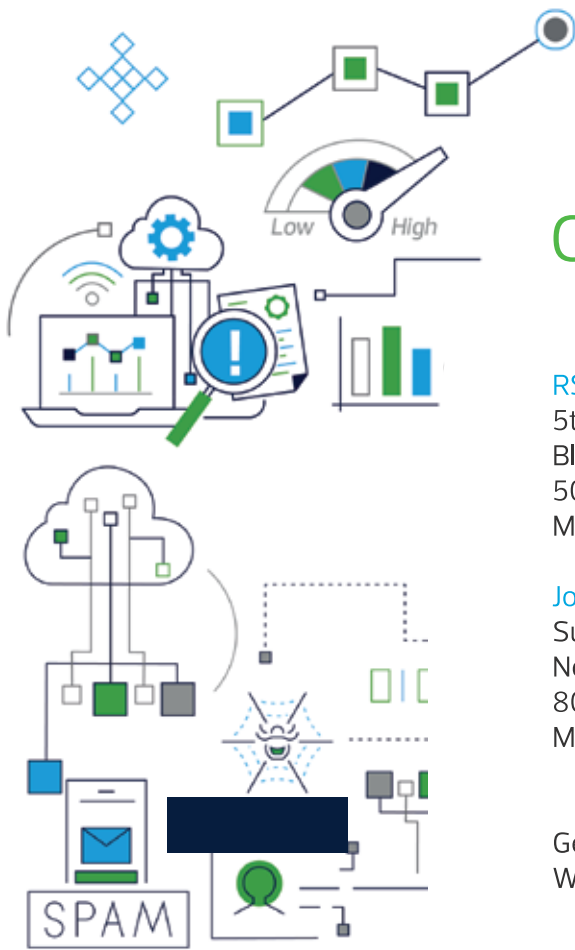
T +603 2610 2996

E carolyn.kam@rsmmalaysia.my

Athirah Mior Shahar | Associate Director

T +603 2610 2997

E athirah.shahar@rsmmalaysia.my



CONTACT US

RSM Tax Consultants (Malaysia) Sdn Bhd

5th Floor, Penthouse, Wisma RKT,
Block A, No.2 Jalan Raja Abdullah Off Jalan Sultan Ismail,
50300 Kuala Lumpur,
Malaysia

Johor Bahru Office

Suite 16-02, Level 16, Menara Landmark,
No. 12, Jalan Ngee Heng,
80000 Johor Bahru,
Malaysia

General Email info@rsmmalaysia.my

Website www.rsmmalaysia.my

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