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Malaysia's Budget 2024

Reactionary Statement by Adeline Wong and Yvonne Beh, Partners in the Tax, Trade and Wealth Management Practice of Wong & Partners, a member firm of Baker McKenzie International

- Kuala Lumpur, 13 October 2023 – The Budget 2024 with an allocation of RM 393.8 billion is the largest in Malaysia's history. It seeks to expand the revenue base through various tax measures, such as the increase in the service tax rate from 6% to 8% and addition of taxable services.

- Details about the anticipated capital gains tax ("**CGT**") which was previously announced in Budget 2023 have been released and it is proposed that from 1 March 2024, a CGT of 10% be imposed on the net gains arising from the transfer of shares in unlisted Malaysian companies, with certain exemptions for approved IPOs, internal restructurings and venture capital companies. It would be important to consider the details of the exemptions since the CGT may impact many types of transactions.

- Confirmation that Malaysia will introduce legislation relating to Global Minimum Tax in 2025, is much welcomed, as this is in line with the timeline adopted by other neighbouring countries in the region.

- We also welcome details relating to the Luxury Goods Tax which was first announced in Budget 2023, as it provides some clarity that the tax will be imposed on certain high value goods, at the rate of 5% to 10% based on particular value threshold. Although examples were provided that such luxury goods include jewellery and watches, further details will be required as to whether any other types of items will be included for the purposes of this tax.

- Budget 2024 also introduced a host of tax incentives, including the Global Services Hub, which is intended to replace the existing Principal Hub tax incentive, in order to maintain Malaysia's competitiveness as a key player in the global services sector in the region and to establish Malaysia as a high-impact strategic services hub.

- Enhancement and extensions of tax incentives to further bolster adoption of green technology and automation in manufacturing, are commendable, as this will help spur the adoption of green technology and enhance the manufacturing industry. We observe a continued focus in developing the electric vehicle ("**EV**") industry with tax incentives for owners of electric vehicles for installation of EV charging facilities and companies who rent EV.

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- Tax incentives for sustainable and responsible investments *sukuk* and tax deductions for companies investing in ESG efforts, demonstrate the Government's objective to support the sustainability agenda.

- In addressing the need to attract talent and increase women's participation into the Malaysian workforce, the extension of the tax incentives for returning experts and women on career break are also lauded.

- Ends -

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