

A2 INCOME TAX – CHANGES AFFECTING INDIVIDUALS

A2.1

EXPANSION OF TAX RELIEF FOR MEDICAL EXPENSES FOR SELF, SPOUSE AND CHILD

Existing Legislation

Presently, a resident individual taxpayer is given a tax relief of up to RM10,000 for medical expenses as evidenced by receipts and certification issued by a hospital or a medical practitioner registered with the Malaysian Medical Council incurred for:

1. The treatment of serious diseases for self, spouse and child;
2. Fertility treatment for taxpayer or spouse;
3. Vaccination for self, spouse and child limited to RM1,000 on Pneumococcal, Human Papillomavirus (HPV), Influenza, Rotavirus, Varicella, Meningococcal, TDAP and COVID-19;
4. Complete medical examination; mental health examination or consultation as evidenced by receipts issued by a hospital, a psychiatrist within the meaning of Section 2 of the Mental Health Act 2001 (Act 615), a clinical psychologist registered with the Malaysian Allied Health Professions Council under the Allied Health Professions Act 2016 (Act 774) or a counsellor registered with the Board of Counsellors under the Counsellors Act 1998 (Act 580) and COVID-19 detection test expenses, for taxpayer, spouse and child limited to RM1,000. The COVID-19 detection test expenses comprises of:
 - (a) COVID-19 detection tests conducted in a hospital, or a clinic as supported with receipt issued by the hospitals or medical practitioners registered with the Malaysian Medical Council; or
 - (b) The purchase of self-test kit that is supported with receipt.
5. Early intervention expenditure incurred by the taxpayer on his/her child who is 18 years and below that is provided in Malaysia as evidenced by a receipt and certification issued by the medical practitioner or allied health practitioner, limited to RM4,000 as below:
 - (a) Assessment for the purpose of diagnosis of learning disability certified by a medical practitioner registered with MMC; or
 - (b) Early intervention programme or rehabilitation treatment for learning disability conducted by an allied health practitioner in the field of learning disability registered under the Allied Health Professions Act 2016.

The learning disabilities which qualify for the tax relief include Autism Spectrum Disorder, Attention Deficit Hyperactivity Disorder (ADHD), Global Developmental Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities.

Proposed Legislation

It is proposed that the scope of the existing tax relief be expanded to include dental examination or treatment expenses of up to RM1,000 as evidenced by a receipt and certification issued by a dental practitioners registered with the Malaysian Dental Council.

Reference

Section 46(1)(g) of the Income Tax Act 1967.

Effective Date

From year of assessment 2024.

Likely Tax Effects and Implications

This proposal aims to support the National Dental Health Policy in promoting dental care among the *rakyat*.

A2.2

EXPANSION OF TAX RELIEF FOR MEDICAL TREATMENT, SPECIAL NEEDS AND CARER EXPENSES FOR PARENTS

Existing Legislation

Presently, a resident individual taxpayer is eligible to claim a relief of up to RM8,000 for medical expenses, special needs and parental care for their parents limited to the following expenses:

1. Treatment in clinics and hospitals;
2. Treatment at nursing homes;
3. Dental treatment; and
4. Treatment and home care nursing, daycare centres and residential care centres.

Qualifying expenses related to the treatment and care are as follows:

1. Medical treatment expenses supported with receipts issued by registered medical centres or pharmacies, or licensed medical stores; or
2. Expenses on special needs for parents certified by qualified medical practitioners and supported by receipts as proof of purchase; or
3. Expenses for the care of parents supported with receipts or written certification from carers or work permit of the carers. Foreign hired carers are required to possess valid visas or special work permits for the care of parents of the individual. Salary paid to carers to take care of parents who are physically and mentally healthy do not qualify for this deduction.

Proposed Legislation

It is proposed that the scope of the existing tax relief be expanded to include complete medical examination for parents limited to RM1,000.

Reference

Section 46(1)(c) of the Income Tax Act 1967.

Effective Date

From year of assessment 2024.

Likely Tax Effects and Implications

This proposal aims to increase the level of awareness among taxpayers on parents' health and continue practicing a healthy lifestyle in line with the Malaysia MADANI pillars which prioritise on the prosperity of the *rakyat* and nurture compassion values.

REVIEW OF SCOPE FOR LIFESTYLE RELIEF AND SPECIFIC TAX RELIEF FOR SPORTS EQUIPMENT AND ACTIVITIES

Existing Legislation

Presently, lifestyle relief of up to RM2,500 a year is given to a resident taxpayer which include the following:

- (a) Purchase of books (including e-books), journals, magazines, newspapers (including e-newspapers) and other similar publications (excluding banned publications);
- (b) Purchase of sports equipment for sports activities as defined under the Sports Development Act 1997;
- (c) Purchase of computer, smartphone or tablet;
- (d) Internet subscription; and
- (e) Gymnasium membership fee.

Additional lifestyle relief of up to RM500 is specifically allocated for:

- (a) Purchase of sports equipment;
- (b) Payment of rental/entry fees to sports facilities; and
- (c) Registration fees for participating in sports competition.

Proposed Legislation

It is proposed that the lifestyle relief is restructured to include skills enhancement courses such as language courses, photography, sewing, but excludes the purchase of sports equipment and gymnasium membership fee.

Meanwhile, it is proposed that a specific tax relief of up to RM1,000 is introduced for "sports equipment and activities". The scope of this specific tax relief covers:

- (a) Purchase of sports equipment for any sports activity as defined under the Sports Development Act 1997 (excluding motorised two-wheel bicycles);
- (b) Rental or entry fees to any sports facilities;
- (c) Registration fees for participating in sports competition where the organiser is approved and licensed by the Commissioner of Sports under the Sports Development Act 1997;
- (d) Gymnasium membership fees; and
- (e) Sports training fees for sports activity as defined under the Sports Development Act 1997 which is provided by a sports club or societies registered with the Commissioner of Sports or companies incorporated under the Companies Act 2016.

Reference

Section 46(1)(p) and Section 46(1)(u) of the Income Tax Act 1967.

Effective Date

From year of assessment 2024.

Likely Tax Effects and Implications

This proposal aims to streamline and improve the income tax relief for lifestyle to further encourage taxpayers to lead healthy lifestyle, improve their existing skills and venture into new fields.

A2.4

INCREASE IN THE LIMIT OF TAX EXEMPTION ON CHILD CARE ALLOWANCE

Existing Legislation

Presently, child care allowance in respect of children up to 12 years of age received by employees or paid directly by employers to child care centres is exempted from tax up to an amount of RM2,400 per year.

Proposed Legislation

It is proposed that the income tax exemption on child care allowance received by employees or paid directly by employers to the child care centres be increased from RM2,400 to RM3,000 per year.

Reference

Likely to be gazetted by way of a statutory order.

Effective Date

Year of assessment 2024.

Likely Tax Effects and Implications

The proposal is enhanced and aims to provide relief on the child care benefit received by employees from their employers. The proposal is in line with MADANI pillar of compassion for others.

A2.5

EXTENSION OF UP-SKILLING AND SELF-ENHANCEMENT COURSE FEES RELIEF

Existing Legislation

Presently, a resident individual taxpayer who pursues any course of study up to tertiary level in selected fields of study, or Master or Doctorate level in any field, at any institution or professional body in Malaysia recognised by the Government or approved by the Minister of Finance is eligible to claim relief of up to a maximum amount of RM7,000, including a tax relief of up to RM2,000 for any course of study undertaken for the purpose of up-skilling or self-enhancement. The course has to be conducted by a body recognised by the Director General of Skills Development under the National Skills Development Act 2006.

This relief was given for the years of assessment 2022 and 2023.

Proposed Legislation

It is proposed that the tax relief for up-skilling and self-enhancement course fees be extended for another 3 years, up to year of assessment 2026.

Reference

Section 46(1)(f) of the Income Tax Act 1967.

Effective Date

Years of assessment 2024 to 2026.

Likely Tax Effects and Implications

This proposal aims to encourage Malaysian citizens to improve their skills and venture into new fields.

A2.6

EXTENSION OF PERIOD OF TAX INCENTIVE FOR WOMEN RETURNING TO WORK AFTER CAREER BREAK

Existing Legislation

Presently, an income tax exemption is given on employment income for a maximum of 12 consecutive months to women who return to work after a career break.

The eligibility criteria set are as follows:

1. Women returned to work after a career break of at least 2 years before or up to 27 October 2017; and
2. Employment income received in the year of assessment 2018 until the year of assessment 2024.

This incentive is eligible for applications received by Talent Corporation Malaysia Berhad not later than 31 December 2023.

Proposed Legislation

It is proposed that the eligibility criteria for the tax incentive be enhanced as follows:

1. Women returning to work after a career break at least 2 years before the date of application received by the Talent Corporation Malaysia Berhad; and
2. Employment income received from the year of assessment 2025 until the year of assessment 2028.

This incentive is eligible for applications received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027.

Reference

Likely to be gazetted by way of statutory order.

Effective Date

Years of assessment 2025 to 2028.

Likely Tax Effects and Implications

This proposal is in line with the Sustainable Development Goals (SGDs) and Ekonomi MADANI targets to increase women workforce.

A2.7

EXTENSION OF TAX RELIEF FOR EXPENSES RELATED TO ELECTRIC VEHICLE (EV) CHARGING FACILITIES

Existing Legislation

Presently, a tax relief of up to RM2,500 is given to a resident taxpayer for payment of the following expenditure related to EV charging facilities:

- (i) Payment of installation;
- (ii) Rental;
- (iii) Purchase including hire-purchase of equipment; and
- (iv) Subscription fees.

The relief was given for years of assessment 2022 and 2023.

Proposed Legislation

It is proposed that the above tax relief be extended for another 4 years, up to year of assessment 2027.

Reference

Section 46(1)(v) of the Income Tax Act 1967.

Effective Date

Years of assessment 2024 to 2027.

Likely Tax Effects and Implications

This proposal aims to further support the development of the local EV industry and in-line with the New Industrial Master Plan 2030.

A2.8

EXPANSION OF TAX DEDUCTION ON DONATION FOR EDUCATIONAL PROGRAMS TO INCLUDE SPORTS EDUCATION

Existing Legislation

Presently, there is a tax deduction of up to 10% of aggregate income for taxpayers other than company given on

1. Cash donation or cost of contribution in kind, where applicable, made to:
 - (a) Institutions or organisations approved under subsection 44(6) of the Income Tax Act 1967;
 - (b) Sports activity approved under subsection 44(11B) of the Income Tax Act 1967;
 - (c) Projects of national interest approved under subsection 44(11C) of the Income Tax Act 1967; and/or
2. Cash contribution made to:
 - (a) Any appropriate religious authority established under any written law or body established by that appropriate authority or public university allowed by that appropriate religious authority to receive cash *wakaf* under subsection 44(11D)(a) of the Income Tax Act 1967; and/or
 - (b) Public universities under subsection 44(11D)(b) of the Income Tax Act 1967.

Proposed Legislation

It is proposed that the tax deduction of up to 10% of aggregate income is expanded to include contributions to approved institutions, organisations or funds under subsection 44(6) of the Income Tax Act 1967 that implement educational programs including sports education.

Reference

Section 34(6)(h), Section 44(1)(d), Section 44(6), Section 44(11B), Section 44(11C), Section 44(11D), Section 44(11E) of the Income Tax Act 1967.

Effective Date

To be determined.

Likely Tax Effects and Implications

This proposal aims to support the nurturing of future generations who are knowledgeable, skilled and excel in sports.

REVIEW OF TAX INCENTIVE FOR RETURNING EXPERTS

Existing Legislation

Presently, the tax incentives for Malaysian citizens who qualify and are approved for the Returning Expert Programme (REP) are as follows:

1. Income tax at a fixed rate of 15% on employment income for a period of 5 consecutive years of assessment; and
2. Exemption on import and excise duties for purchase of a Completely Built-Up (CBU) vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle, subject to an exemption amount of up to RM100,000.

Proposed Legislation

It is proposed that the application period for REP incentive be extended for another 4 years and revised as follows:

1. Income tax at a fixed rate of 15% on employment income received by an individual for 5 consecutive years of assessment; and
2. Exemption on excise duty for the purchase of a CKD vehicle subject to an exemption amount of up to RM100,000.

Reference

Schedule 1 Part XV of the Income Tax Act 1967 and to be gazetted by way of a statutory order.

Effective Date

For applications received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027.

Likely Tax Effects and Implications

This proposal aims to further encourage global talent circulation and to attract professional Malaysian diaspora to return to Malaysia.

EXPANSION AND EXTENSION OF TAX INCENTIVE FOR EQUITY CROWDFUNDING

Existing Legislation

Presently, individual investors that make investments in equity crowdfunding (ECF) are eligible for tax exemption on aggregate income equivalent to 50% of the amount invested subject to the following conditions:

1. The eligible amount for tax exemption is limited to RM50,000 for each year of assessment;
2. The deductible amount is limited to 10% of the aggregate income for that year of assessment. The excess amount which is not deductible will be disregarded;
3. The investor, investee company and amount of investment must be verified by the Securities Commission Malaysia;

4. The investor must not have any family relationship with the investee company;
5. Investment must be made through ECF platform approved by the Securities Commission Malaysia; and
6. The investment is not allowed to be wholly or partly disposed within 2 years from the date of investment.

The tax incentive is for investment made from 1 January 2021 until 31 December 2023.

Proposed Legislation

It is proposed that the tax incentive be expanded to investment made by individual investor through Limited Liability Partnership nominee company and be extended for a period of 3 years.

Reference

Likely to be gazetted by way of statutory order.

Effective Date

For investment made from 1 January 2024 until 31 December 2026.

Likely Tax Effects and Implications

This proposal aims to attract more individual investors to invest in start-up companies through ECF platform.



INCOME TAX EXEMPTION ON INCOME DERIVED FROM ISLAMIC SECURITIES SELLING AND BUYING (ISSB)

Existing Legislation

Presently, there is no tax exemption on income derived from Islamic Securities Selling and Buying (ISSB).

Proposed Legislation

It is proposed that the income derived from ISSB be exempted from income tax.

Reference

Likely to be gazetted by way of a statutory order.

Effective Date

From year of assessment 2024.

Likely Tax Effects and Implications

This proposal is to increase the overall volume of securities trading and the liquidity of the shariah-compliant stock market through the involvement of more investors and brokers in ISSB transactions in addition to ensuring equivalent treatment is provided for Securities Borrowing and Lending (SBL) transactions.

PREFERENTIAL INCOME TAX RATE FOR NON-CITIZEN INDIVIDUALS HOLDING KEY/C-SUITE POSITIONS IN GLOBAL SERVICES HUB

Existing Legislation

Presently, there is no preferential income tax rate for non-citizen individuals holding key/C-Suite positions in Global Services Hub.

Proposed Legislation

It is proposed that the income tax rate of 15% be given for a period of 3 consecutive years of assessment and limited to 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with Global Services Hub tax incentive.

Reference

Likely to be gazetted by way of statutory order.

Effective Date

For new company's Global Services Hub tax incentive applications received by the Malaysian Investment Development Authority from 14 October 2023 until 31 December 2027.

Likely Tax Effects and Implications

This proposal is in support of the tax incentive for Global Services Hub which aims to maintain Malaysia's competitiveness as a key player in the global services section in the region and to establish the country as a high-impact strategic services hub.