



## **MEDIA STATEMENT**

### **CTIM on Belanjawan 2024: Reformasi Ekonomi, Memperkasa Rakyat**

**Chow Chee Yen, President - Chartered Tax Institute Malaysia**

Budget 2024 was announced on 13 October 2023 with the theme of "Madani Economy: Empowering the People". There are 3 main focuses: Best Governance for Service Agility, Restructuring the Economy to Accelerate Growth; and Improving People's Living Standards. The Government intends to expand its revenue base and has rolled out bolder measures and reforms in Budget 2024 with the allocation of RM393.80 billion. Our observations and comments on several proposals in relation to additional tax, new taxes and new tax initiatives are listed below.

#### **Increase in Service Tax Rate from 6% to 8%**

It has been proposed that the service tax rate on taxable services (other than food, beverages and telecommunications) is to be increased from 6% to 8%. We may see an increase in charges or fees from the recipients of the services provided due to this 2% increase.

The scope of taxable services has been expanded to include logistics, brokerage, underwriting and karaoke services. The effective date of the increase in service tax rate is not mentioned in the budget announcement and it is expected to be announced in the Finance Bill (No. 2) 2023 or in a subsidiary legislation.

#### **Implementation of Capital Gains Tax (CGT) from 1 March 2024**

We now know that capital gains tax (CGT) on the disposal of unlisted shares by a company will take effect from 1 March 2024 which is less than 5 months away. The proposed CGT rate is 10% on the net gain on the disposal of shares. The taxpayer has an option to be taxed at 2% on the gross sales proceeds on disposal of shares acquired before 1 March 2024.

In addition, CGT exemptions are proposed for initial public offerings approved by Bursa Malaysia and for restructuring of company shares in the same group which are welcomed as they prevent these activities from being negatively impacted. We anticipate that there will be more details on the scope of CGT in the Finance Bill (No. 2) 2023 or in a separate draft legislation. We hope these will shed light on matters such as the interaction of CGT with the foreign source income exemption regime and Real Property Gains Tax.

#### **High Value Goods Tax**

The Government will enact a new legislation to implement the High Value Goods Tax (Cukai Barang Bernilai Tinggi) at a rate of 5% - 10% on certain high value goods such as jewellery and watches based on the threshold value of the goods. The Government previously used the term



Luxury Goods Tax (Cukai Barangan Mewah) in the Budget 2023. We shall wait for further announcement on its implementation date as well as clarification if this is a revamp of the previous proposal to implement the Luxury Goods Tax.

### **Implementation of Global Minimum Tax in 2025**

It is pleasing to note that our proposal to defer the implementation of Global Minimum Tax (GMT) to 2025 has been adopted. The deferment will give the tax authorities and the affected multinational companies much needed time to make the necessary preparations. It is hoped that the draft guidelines, indicative timeline for implementation, and draft legislative provisions on GMT and Qualified Domestic Minimum Top-up Tax (QDMTT) will be made available for consultation and feedback soon.

### **Implementation of e-Invoicing from 1 August 2024**

E-Invoicing will be mandatory for taxpayers with an annual income or sales of more than RM100 million with effect from 1 August 2024 instead of 1 June 2024 as previously announced. This will give the tax authorities and businesses more time to prepare themselves before e-Invoicing is officially implemented.

However, it appears from the announcement that all taxpayers are mandatorily required to implement e-Invoicing by 1 July 2025 instead of the previously announced 1 January 2027. Clarification from the tax authorities is needed on this as it would mean an earlier implementation of e-Invoicing across the board by 18 months.

Budget 2024 is presented as an expansionary budget to pave the way for nation-building and is indeed an effort to strengthen the national economy, accelerate the business sector and at the same time achieve a balance of fiscal support. The benchmark set in Budget 2024 indicates the determination and seriousness of the Government to raise the economic level of the country and the *rakyat* despite the current global challenges.

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*Chow Chee Yen is the President of the Chartered Tax Institute of Malaysia.*

*Established in the year 1991 as the Malaysian Institute of Taxation, The Chartered Tax Institute of Malaysia has over the years grown to be recognised as the premier organization that acts as the collective voice of tax professionals in Malaysia. Members of the Institute consist of branches of the tax practice in Malaysia and members of more than 3,900 tax professionals consisting of licensed tax agents, legal practitioners, accountants, academics, and other tax practitioners as well as members from government bodies and agencies such as the Ministry of Finance, Inland Revenue Board of Malaysia and the Royal Malaysian Customs Department.*

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**CHARTERED TAX INSTITUTE OF MALAYSIA**

Registration Number: 199101015438 (225750-T)

B-13-2, Megan Avenue 2, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel: 03-9212 7848 | Email: [technical@ctim.org.my](mailto:technical@ctim.org.my)