

# Wong & Partners.

Member Firm of  
Baker & McKenzie International

**For further details please contact:**

Stephanie Jacob  
Assistant Manager, Communications  
Phone +603 22996408/ 0123725917  
[stephanie.jacob@wongpartners.com](mailto:stephanie.jacob@wongpartners.com)

## Malaysia's Budget 2025

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

Kuala Lumpur, 18 October 2024 –

- Budget 2025 appears to provide for a balanced approach to driving economic growth, whilst at the same time maintaining fiscal responsibility. The Malaysian Government is committed to reducing the fiscal deficit to 3.8% of GDP in 2025, which is a positive step towards achieving long-term fiscal sustainability.
- Malaysia is expecting to increase its revenue collection to RM 340 billion in 2025, and with the increased revenue collection target, it was proposed that a new dividend tax be introduced. The dividend tax is to be imposed at the rate of 2% on individuals receiving dividend income of more than RM 100,000. Although this may be a form of double taxation on income which had been subjected to Malaysian income tax at the company level, this may be seen as an attempt to ensure that individual shareholders in the higher income bracket, pay additional taxes, consistent with the objective of closing the wealth gap and ensuring a fairer distribution of wealth in the country.
- The proposal relating to enhancing the taxable scope of the sales and service tax, is one of the measures aimed at boosting revenue collection. The proposals include increasing the scope of taxable services subject to service tax to include commercial services between businesses and increasing sales tax on imported premium goods. It would be interesting to consider the details of these proposals, in particular what services will be included as taxable services for service tax. As there is no mechanism to claim any credits on service tax incurred, the imposition of service tax on new categories of services, may increase the cost of doing business.
- As Malaysia will be implementing the Global Minimum Tax in 2025, it is much welcomed to hear the Government's commitment to streamline existing incentives and to provide incentives other than lowered income tax rates. It is interesting to note that the Government is analysing the feasibility of introducing the Strategic Investment Tax Credit, which may be a form of refundable tax credit, in line with what other countries such as Singapore, are introducing.
- Budget 2025 also proposes under the New Investment Incentive Framework to enhance high-value activities to be carried out in Malaysia with tax incentives for various industries, such as

# Wong & Partners.

Member Firm of  
Baker & McKenzie International

**For further details please contact:**

Stephanie Jacob  
Assistant Manager, Communications  
Phone +603 22996408/ 0123725917  
[stephanie.jacob@wongpartners.com](mailto:stephanie.jacob@wongpartners.com)

renewable energy, carbon capture, utilization and storage ("**CCUS**") activities and the electric and electronic sector, particularly for integrated circuit design activities.

- Specific location specific tax incentives are proposed to spur economic growth in states such as Perlis, Kedah, Kelantan and Terengganu, in 21 economic sectors is also a lauded move, as this will help to balance the economic development in the country and reduce the economic gap between states in Malaysia.
- The focus on renewable energy and CCUS is commendable, as this will go some ways in helping Malaysia achieve its zero emissions commitment by 2050. Tax incentives such as investment tax allowances or income tax exemptions are proposed for CCUS activities. There is a continued focus in encouraging adopting of solar energy in residential buildings and Government buildings, demonstrating the Government's objective to support the sustainability agenda..
- There is also continued focus in developing the electric vehicle ("**EV**") industry, by extending the tax incentives for electric motorcycles and aiding the transition to locally assembled electric vehicles.
- In efforts to promote the Johor-Singapore Special Economic Zone ("**JSSEZ**"), the proposal to provide special incentives to attract investments is also much welcomed as the JSSEZ holds much potential in enhancing economic development together with Singapore. The proposal to establish the Invest Malaysia Facilitation Centre – Johor to facilitate investment in JSSEZ is a good move, as this may help ease foreign direct investments in the JSSEZ.
- Tax incentives for Labuan trading entities undertaking Islamic finance activities have been proposed and expanded to include Labuan takaful business and takaful-related activities.

- Ends -

## About Wong & Partners

Wong & Partners is a Malaysian law firm dedicated to providing solution-oriented legal services to its clients. As a member firm of Baker McKenzie International, we bring a unique combination of local knowledge and global experience to every matter. Since its establishment in 1998, Wong & Partners has grown steadily and now consists of more than 20 partners and 50 associates and legal assistants. The Firm's lawyers are able to deliver comprehensive and integrated advice to clients, and are trusted by respected domestic and multinational corporations for their needs in Malaysia and throughout Asia. The Firm's lawyers are committed to helping clients apply industry-specific, innovative and practical solutions. ([www.wongpartners.com](http://www.wongpartners.com))

Follow us on 