TERNARY ADVISORY SERVICES SDN BHD

2025

TAX
BUDGET

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HIGHLIGHTS OF TAX BUDGET 2025

PERSONAL TAX

1 DIVIDEND TAX

Dividend Tax of **2%** will be imposed on chargeable dividend income (after taking into account allowances and deductions) received by individual shareholders with annual dividend income exceeding **RM100,000** with certain exemptions.
Refer explanatory notes (A)

2 HOUSING LOAN INTEREST

It is proposed that tax relief be given in **3 consecutive YAs** on interest payment for the first residential home loan (individually or jointly owned)
Refer explanatory notes (B)

3 EDUCATION AND MEDICAL INSURANCE

Tax relief on premium paid for education and medical insurance proposed be increased from RM 3,000 to **RM4,000**
W.E.F YA2025

4 MEDICAL TREATMENT FOR SELF,SPOUSE AND CHILD

Total tax relief for medical expenses proposed to be increased up to **RM10,000.**
Refer explanatory notes (C)

5 RELIEF ON PRS AND DEFERRED ANNUITY

RM3,000 tax relief in respect of contribution to PRS approved by Securities Commission Malaysia and paid premiums for deferred annuity is proposed to be extended for 5 years until YA2030.
Effective from YA2026 to YA2030

6 RELIEF ON NETSAVINGS IN SSPN

Tax relief of **RM8,000 extended for another 3 years to YA2027 wtih conditons :**

- Tax relief can only be claimed by either parent,for SSPN savings,with max claim up to RM8,000 and;
- Withdrawals from SSPN fund intended to finance education cost for further studies will not be considered in the claculation of net savings for that particular year and not affect the eligible amount for tax relief.

7 TAX RELIEF FOR NURSERY OR KINDERGARDEN FEES

Up to **RM3,000** tax relief for taxpayers who enrol their children aged 6 yrs and below in child Care Centres (TASKA) registered with the social Welfare Department or Child Care Centres (TADIKA) registered with the Ministry of Education Malaysia is proposed to be extended for 3 years until YA2027.
W.E.F. from YA2025 to YA2027

8 TAX RELIEF FOR DISABLED PERSON

Relief for disabled person is proposed to be as follows :

- For disabled individual taxpayer, RM6,000 to RM7,000.
- For individual taxpayer with a disabled spouse, RM5,000 to RM6,000
- For individual taxpayer with unmarried disabled children. RM5,000 to RM6,000.

W.E.F from YA2025

9 EXPANSION OF RELIEF FOR SPORT ACTIVITIES,HEALTH & ELDERLY CARE

- Expenses on sports equipment and activities for self,spouse and child up to **RM1,000** be expanded to parents.
- Full medical check-up expenses for parents, limited to RM1,000 be expanded to include vaccination.
- Medical treatment, special needs and parental care expenses be expanded to grandparents as follows :

i) medical treatment as clinics and hospitals;
ii) treatment and homecare nursing, day care centres and residential care centres.
iii) dental treatment (not including cosmetic dental treatment)
iv) Full medical check-up and vaccination,limited to RM1,000.

W.E.F. YA2025

10 TAX RELIEF ON EXPENSES FOR GREEN TECHNOLOGY EQUIPMENT

- Scope of relief on expenses for electric vehicle charging equipment up to **RM2,500** is proposed be expanded to include the purchase of food waste composting machines for household use.
- The relief for the purchase of food waste composting machines is allowed to be claimed once within 3 YAs.

W.E.F from YA2025 to YA2027.

11 EXTENSION ON TAX EXEMPT INCOME FROM SOURCES OUTSIDE MALAYSIA RECEIVED IN MALAYSIA

The income from sources outside Malaysia received by individual residents in Malaysia,which is exempted from tax until 31 December 2026, is proposed to be extended until 31 December 2036

CORPORATE TAX

12 IMPLEMENTATION OF E- INVOICING

Puchase of ICT Equipment, Computer Software Packages and Consulting Fees are to be **given accelerated capital allowance from 3 years to 2 years**

W.E.F YA2024 until YA2025

13 TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME

Existing double deduction given to companies implementing structured internship programme is to be **extended for another 5 years**

W.E.F YA2026 until YA2030

14 TAX DEDUCTION ON THE COST OF DEVELOPING NEW COURSES AT PRIVATE HIGHER EDUCATION INSTITUTIONS

The tax deduction on the cost of developing new courses by private higher education institutions be **given in full in the same year assessment, rather than over a period of 3 year assessments**

W.E.F YA2025 until YA2030

15 EXPANSION OF TAX EXEMPTION FOR ISLAMIC FINANCIAL ACIVITIES UNDER LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Full income tax exemption given to Labuan trading entities that undertake Islamic finance activities will be expanded to include qualifying Labuan takaful business activities

W.E.F YA2025 until YA2028

16 TAX INCENTIVES FOR INCREASED EXPORTS

Allowance for increased exports for companies engaging in selected service activities will be expanded. The incentives given is equal to **50%** of the value of increased exports, **set off against up to 70%** of statutory income

W.E.F YA2025

17 IMPLEMENTING FLEXIBLE WORKING ARRANGEMENT

Employers who incur expenses for capacity building and software acquisition in implementing Flexible Work Arrangements will be eligible for a **further tax deduction of 50%.** Eligible expenses will be **capped at RM 500,000** for applications received by the Talent Corporation Malaysia Bhd.

Refer explanatory notes (D)

CORPORATE TAX

18 TAX DEDUCTION FOR SPONSORSHIP OF SMART AI-DRIVEN REVERSE VENDING MACHINE

Tax deduction under Section 34(6)(h) of the Income Tax Act is given donation or sponsorships of smart AI-driven reverse vending machines for applications received by the MOF **proposed to be extended for 2 years**

W.E.F YA2025 until YA2026

19 TAX DEDUCTION ON DONATIONS OF NEW EQUIPMENT AND MACHINES

It is proposed that companies will be given **tax deduction on new equipment and machines** donated to Institut Latihan Kemahiran Awam, Polytechnics or registered vocational colleges

W.E.F YA2025 until YA2027

20 SCOPE OF RELIEF PROVIDED BY CHARITABLE ORGNISATIONS

The scope of relief provided by charitable organisations under Section 44(6) of the Income Tax Act is proposed to be **expanded to include donations to non-citizens**

21 SUPPORT FOR TEACHING STAFF'S SALARIES OF APPROVED EDUCATIONAL ORGANISATIONS

Government will pay the salaries or wages of teaching staff of educational institutions or organisations approved under Section 44(6) of the Income Tax Act

W.E.F to be announced

22 TAX INCENTIVE FOR EMPLOYERS PROVIDING CAREGIVING LEAVE BENEFIT

50% further deduction is to be given to employers who provide additional paid leave of up 12 months for employees caring for :

- Children
- Ill or disabled family members.

W.E.F YA2025 until YA2027

23 EXPANSION OF CHILDCARE ALLOWANCE

Further deduction is given to employers on expenses in respect of childcare allowances paid to employees or provision and maintenance of childcare centres

W.E.F YA2025

24 TAX INCENTIVE FOR WOMEN RETURNING TO THE WORKFORCE

A 50% further deduction is proposed to be given to employers on employment expenses paid for a period of 12 months for hiring women returning to work

Refer explanatory notes (E)

STAMP DUTY

25 STAMP DUTY FOR LOAN/FINANCING AGREEMENT BASED ON SHARIAH PRINCIPLES

the stamp duty treatment on loan/financing agreements for the purchase of goods based on Shariah principles under the First Schedule, Hire Purchase Act 1967, it is proposed that stamp duty be **imposed at a fixed rate of RM10 on the loan/financing agreements** for the purchase of goods other than hire purchase based on Shariah principles.

W.E.F YA2025

26 STAMP DUTY EXEMPTION ON LOAN/FINANCING AGREEMENTS THROUGH THE IEO PLATFORM FOR MSME

In order to facilitate the expansion of MSMEs' access to raising business capital through alternative financing, it is proposed that the stamp duty on loan/financing agreements executed by MSMEs and investors though the IEO platforms registered with the Securities Commission Malaysia be **exempted for 2 years**

W.E.F YA2025 until YA2026

27 STAMP DUTY EXEMPTION FOR LOAN/FINANCING AGREEMENTS UNDER MICRO FINANCING SCHEME (MFS)

In order to assist MSMEs in obtaining unsecured loans/financing, it is proposed that **stamp duty exemption** be given for loan/financing agreements under the MFS for an amount **not exceeding RM100,000**

W.E.F YA2025

28 STAMP DUTY FOR ASSIGNMENT OF LIFE INSURANCE POLICY AND FAMILY TAKAFUL CERTIFICATE

In order to help reduce the deed of assignment costs, it is proposed that special rate of **stamp duty be charged** on deed of assignment for life insurance policy and family takaful certificate given by way of love and affection or through a trustee.

Refer explanatory notes (F) and fixed rate table

29 IMPLEMENTATION OF SELF-ASSESSMENT STAMP DUTY SYSTEM (SASDS)

In order to ensure the stamping and self-payment system is more efficient and to further enhance compliance, it is proposed that **Self-assessment Stamp Duty System (SASDS) be implemented** in phases based on the types of instruments/agreements.

Refer explanatory notes (G)

TAX INCENTIVES

30 Implementation of New Investment Incentive Framework For High-Value Activities

i) New incentives for supply chain

- Introduction of new incentives, including a double tax deduction for MNE spending up to RM2 million each year for three consecutive years.
- Tax deduction on the investment amount provided to MNEs or suppliers that enter into joint ventures with other local suppliers.
- Specially curated tax incentives given to local supply chain suppliers.
- An investment matching fund of over RM100 million available through a public equity funding platform to support the expansion of local suppliers in the E&E industry, with a focus on the chemical and medical device sectors.

ii) Establishment of specialised economic groups

- Economic groups will be established based on state specialisations, including renewable energy in Perlis and Sabah, and the chemical industry in Pahang and Terengganu.

iii) Special income tax incentives for investments

- Special income tax incentives are provided for investments in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah, and Sarawak, depending on the success of economic spillovers.

iv) Tax incentives for promoting CCUS activities

- Tax incentives, including investment tax allowances and income tax exemptions, are provided to promote CCUS activities to encourage ESG-based investments.

Implementation date : **Third Quarter of Year 2025**

31 Tax Incentive For SLC

Income tax exemption equivalent to an ITA of 60% on qualifying capital expenditure incurred for a period of 5 years provided to SLC companies and set-off against up to 70% of statutory income for each YA, which are subject to conditions.

Conditions:

- **Eligible SLC companies**:
  - SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
  - SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertakes eligible logistics services activities.
- **Eligible logistics services:**
  - a. regional distribution centres;
  - b. integrated logistics services;
  - c. storage of hazardous goods; or
  - d. cold chain logistics.
- **Other Requirements:**
  - Warehouse with a minimum build-up area of 30,000 sqm
  - Adaptation of at least three Fourth Industrial Revolution (IR4.0) elements
  - Other conditions as prescribed.

For applications received by MIDA from 1 January 2025 until 31 December 2027.

Acronym: SLC - Smart Logicstics Complex

INDIRECT TAX

32 Sales Tax Rates and Expansion of Service Tax Scope

- Sales tax exemption shall be maintained on **basic food items** consumed by the Rakyat.
- Increase of sales tax rates on non-essential and imported items. Potentially, 5% or 10% sales tax will be imposed on premium foods items such as salmon, avocado, wagyu, shine muscat grapes, etc.
- Expansion of scope of service tax to include **commercial service** transactions between **businesses (B2B),** fee-based financial services is given as an example. The service tax currently prescribed at 8%,except for food and beverages,parking,logistics and telecommunications services,which are taxed at 6%. Additionally, credit card and charge card services are taxed at a rate of RM 25 annually.

Effective date: 1 May 2025

33 Excise Duty Rate On SSB

- Currently, excise duty is imposed at the rate of RM0.50 per litre on SSB depending on the threshold value of sugar content for different types of beverages such as carbonated drinks, flavoured milk-based beverages, fruit juices and vegetable juices.
- In line with the Government's ongoing efforts to combat diabetes and obesity, it is proposed that the excise duty rate on SSB be increased in phases from 1 January 2025 by **RM0.40 per litre.**
- RM0.50 ➔ RM0.90
- Further details are expected to be announced by the RMCD on the above.

Effective date: 1 January 2025 (in phases).

INDIRECT TAX

34 Sales Tax Exemption On Mastectomy Bra for Breast Cancer Patients

No.	Type	Tariff Code	Sales Tax
1	Made from cotton	6212.10.1100	10 %
2	Made from other Textile Materials	6212.10.9100	10%

Sales Tax on mastectomy bras for cancer patients from 10% is proposed to be change to **exempted.**

For application received by MOF from 1 November 2024 until 31 December 2027.

EXPLANATORY NOTES

A. Dividend

Dividend Tax of **2%** will be imposed on chargeable dividend income (after taking into account allowances and deductions) received by individual shareholders with annual dividend income exceeding RM100,000 based on the formula below :

$$\frac{\text{Dividend statutory income}}{\text{Aggregate Income}} \times \text{Chargeable Income} = \text{Chargeable Dividend Income}$$

Exemption from Dividend Tax is as follows:

- Dividend income from abroad
- Dividend income distributed from the profits of companies that received pioneer status and reinvestment allowances
- Dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax
- Dividend income distributed by cooperative
- Dividend income declared by closed-end funds
- Dividend income received by residents from Labuan entities;

Dividend Tax is not applicable to profit distributions made to contributors and depositors by KWSP, Lembaga Tabung Angkatan Tentera, Amanah Saham Nasional Bumiputera and any unit trust.

W.E.F 2025

EXPLANATORY NOTES

Dividend Working Comparison

i) Current Tax Treatment

	Employment Income	Dividend Income (Tax free)
Section 4 b) Employment	100,000	
Section 4 c) Dividend income	-	120,000
Total aggregate income	100,000	120,000
Less : Relief		
Personal	(9,000)	
EPF	(4,000)	
	87,000	120,000
Personal tax payable :		
Employment income	6,930	
Dividend income @ 2%	-	Tax free
	6,930	

ii) With Dividend > RM 100,000

	Employment Income	Dividend Income	Total
Section 4 b) Employment	100,000		100,000
Section 4 c) Dividend income		120,000	120,000
Total aggregate income	100,000	120,000	220,000
Less : Relief			
Personal	(4,090)	(4,909)	(9,000)
EPF	(1,818)	(2,181)	(4,000)
	94,092	112,910	207,000
Personal tax payable :			
Employment income	8,277		8,277
Dividend income @ 2%		2,258	2,258
	8,277	2,258	10,536

EXPLANATORY NOTES

B. Housing Loan Interest

For the first residential home loan (individually or jointly owned), the tax relief is given in 3 consecutive YAs as follows :

- Up to RM 7,000 tax relief per year for residential home with value up to RM500,000.
- Up to RM 5,000 tax relief per year for residential home with value above RM 500,000 and below RM 750,000

The relief is subject to :

- Residential home must not be used to generate any income; and

- Sales and purchase agreement must be execute from 1 January 2025 until 31 December 2027.

C. Medical treatment expenses for self , spouse and child.

i) Serious illness for self, spouse or child.

ii) Fertility treatment for self or spouse.

iii) Full medical check-up, mental health check-up or consultation and COVID-19 detection test limited to RM 1,000 be expanded to include :

- Full medical check-up , mental health check-up or consultation.
- Purchase of self-test kit, such as COVID-19 and influenza test kit.
- Purchase of self testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer
- Fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear.

iv) Tax relief for assessment for diagnosis, early intervention programme or rehabilitation treatment for children (aged 18 years and below) with learning disabilities to be increased from RM4,000 to RM6,000.

W.E.F from YA 2025

EXPLANATORY NOTES

D. IMPLEMENTING FLEXIBLE WORKING ARRANGEMENT

In Budget 2014, employers who implemented or made improvements to the Flexible Working Arrangements (FWA) verified by Talent Corp (M) Bhd (TalentCorp) from Jan 1, 2014 until Dec 31, 2016 were eligible for a double tax deduction.

Under the National Economic Recovery Plan, employers implementing FWA were given a double tax deduction on eligible expenses capped at RM500,000 for consultancy fees, capacity building for flexible work arrangements, including employee training costs and the cost of acquiring virtual working environment software from July 1, 2020 until Dec 31, 2022.

To encourage more employers to offer flexibility to employees and create a work life balance, it is proposed expenses for capacity building and software acquisition incurred by employers for implementing FWA be given a 50% further deduction. The expenses eligible for further deduction is capped at RM500,000, subject to a one-off claim and to be verified by TalentCorp.

W.E.F YA 2025 to YA 2027

EXPLANATORY NOTES

E. Tax incentive for women returning to the workforce

Women on a career break for at least two years and return to work are eligible for income tax exemption on remuneration received for a maximum period of 12 consecutive months. This incentive is provided for applications received by TalentCorp from Jan 1, 2018 to Dec 31, 2027. Employers are eligible for tax deductions on employee salary payments under Section 33 of the Income Tax Act 1967.

In an effort to increase women's participation in the labour market, it is proposed a 50% further deduction be given to employers on employment expenses paid for a period of 12 months for hiring women returning to work.

W.E.F YA 2025 to YA 2027

EXPLANATORY NOTES

F. STAMP DUTY FOR ASSIGNMENT OF LIFE INSURANCE POLICY AND FAMILY TAKAFUL CERTIFICATE

Fixed rated table for stamp duty life insurance and family takaful :

Ownership Transfer Value	Current Ad Valorem Stamp Duty Rate	Proposed Fixed Stamp Duty Rate
The first RM 100,000	1%	RM 10
Above the first RM 100,000 to RM 500,000	2%	RM 100
Above RM 500,000 to RM 1,000,000	3%	RM 500
More than RM 1,000,000	4%	RM 1,000

W.E.F YA2025

EXPLANATORY NOTES

G. IMPLEMENTATION OF SELF-ASSESSMENT STAMP DUTY SYSTEM (SASDS)

SASDS requires duty payers or appointed agents to upload information in STAMPS and undertake self-assessment of the value of stamp duties for the instruments/agreements and subsequently make payments based on the self-assessment within a specified timeframe.

W.E.F

Phase	Effective Date	Types of Instruments
Phase 1	From 1 January 2026	Instruments/aggrements related to rental or lease, general stamping and securities
Phase 2	From 1 January 2027	Instruments of transfer of property ownership
Phase 3	From 1 January 2028	Instruments/agreements other than stated in Phase 1 and Phase 2