



LAWS OF MALAYSIA

Act 862

FINANCE ACT 2024

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FINANCE ACT 2024

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LAWS OF MALAYSIA

Act 862

FINANCE ACT 2024

An Act to amend the Income Tax Act 1967, the Real Property Gains Tax Act 1976, the Stamp Act 1949, the Petroleum (Income Tax) Act 1967, the Finance Act 2012 and the Finance (No. 2) Act 2023.

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ENACTED by the Parliament of Malaysia pursuant to Article 68 of the Federal Constitution as follows:

CHAPTER I

PRELIMINARY

Short title

1. This Act may be cited as the Finance Act 2024.

Amendment of Acts

2. The Income Tax Act 1967 [*Act 53*], the Real Property Gains Tax Act 1976 [*Act 169*], the Stamp Act 1949 [*Act 378*], the Petroleum (Income Tax) Act 1967 [*Act 543*], the Finance Act 2012 [*Act 742*] and the Finance (No. 2) Act 2023 [*Act 851*] are amended in the manner specified in Chapters II, III, IV, V, VI and VII respectively.

CHAPTER II

AMENDMENTS TO THE INCOME TAX ACT 1967

Commencement of amendments to the Income Tax Act 1967

3. (1) Sections 4, 8, 11, 12, 13, 14, 15, 16 and 17, and paragraphs 9(a), (b), (c), (d) and (g) have effect for the year of assessment 2025 and subsequent years of assessment.

(2) Sections 5 and 10 come into operation on 1 January 2025.

(3) Section 6 comes into operation on 1 April 2025.

(4) Section 7 comes into operation on the coming into operation of this Act.

(5) Paragraphs 9(e), (f) and (h) have effect from the year of assessment 2025 until the year of assessment 2027.

Amendment of section 6

4. The Income Tax Act 1967, which is referred to as the “principal Act” in this Chapter, is amended in subsection 6(1)—

(a) in paragraph (q), by substituting for the full stop at the end of the paragraph a semicolon; and

(b) by inserting after paragraph (q) the following paragraph:

“(r) notwithstanding anything contrary to this Act or any other written law, income tax shall be charged for each year of assessment upon the income of an individual, who is a shareholder of a company, either through direct shareholding or a nominee, which consists of dividend paid, credited or distributed, whether in monetary form or otherwise, by the company, and the dividend is deemed by virtue of section 14 to be derived from Malaysia, at the appropriate rate as specified under Part XXII of Schedule 1.”.

Amendment of section 15c**5. Section 15c of the principal Act is amended—**

(a) in subsection (1), by substituting for the words “subsection (2)” the words “subsections (2) and (2A)”;

(b) in subsection (2)—

(i) by inserting after the words “the date of acquisition of the shares of the relevant company” the words “by the company, limited liability partnership, trust body or co-operative society”;

(ii) in paragraph (b)—

(A) by substituting for the words “asset:” the words “asset; or”; and

(B) by deleting the words “Provided that the defined value of the real property situated in Malaysia (including any right or interest thereof) owned by another controlled company, is not less than seventy-five per cent of the value of its total tangible asset; or”;

(iii) in the proviso, by substituting for the full stop at the end of the proviso a colon; and

(iv) by inserting after the proviso the following second proviso:

“Provided further that where at any date the relevant company disposes of the real property or the shares of another controlled company, or both, whereby the defined value of the real property or the shares of another controlled company, or both, owned at the date of disposal and thereafter is less than seventy-five per cent of the value of its total tangible assets, that relevant company shall not be regarded as a relevant company under subsection (1) as from that date of disposal.”;

(c) by inserting after subsection (2) the following subsection:

“(2A) Where the relevant company is a real property company as defined under subparagraph 34A(6) of Schedule 2 to the Real Property Gains Tax Act 1976 prior to 1 January 2024, the date of acquisition of shares of the relevant company shall be deemed to be the date of acquisition of those shares as determined in accordance with subparagraph 34A(2) of Schedule 2 to that Act.”;

(d) by substituting for subsection (3) the following subsection:

“(3) Where, on the date of acquisition of the shares of the relevant company, the defined value referred to in paragraphs (2)(a), (b) and (c) is less than seventy-five per cent of the value of its total tangible asset and the relevant company subsequently acquires real property or shares of another controlled company, or both, resulting in the defined value of the real property or shares, or both, owned on the date of acquisition by the relevant company being not less than seventy-five per cent of the value of its total tangible asset (hereinafter referred to as the “subsequent acquisition date”), the shares of the relevant company shall be deemed to be acquired on the subsequent acquisition date.”;

(e) in subsection (4)—

(i) in paragraph (a)—

- (A) by substituting for the words “paragraph 3(a)” the words “subsection (3)”;
- (B) by inserting after the words “in accordance with the” the word “following”;
- (C) in the formula, in explanation A, by substituting for the words “referred to in subsection (1)” the words “disposed by a company, limited liability partnership, trust body or co-operative society”; and

- (D) in the formula, in explanations B and C, by substituting for the words “date of acquisition of the shares of the relevant company referred to in subsection (1)” the words “subsequent acquisition date”; and

- (ii) in paragraph (b), by substituting for the words “paragraph (3)(b)” the words “subsection (2)”;

(f) by inserting after subsection (4) the following subsection:

“(4A) Where subsection (2A) applies, the acquisition price of the real property company as determined under subparagraph 34A(3) of Schedule 2 to the Real Property Gains Tax Act 1976 prior to 1 January 2024 shall be deemed to be the acquisition price of the shares of the relevant company.”; and

(g) in subsection (5)—

- (i) by inserting before the definition of “defined value” the following definition:

‘ “another controlled company” means a controlled company which owns real property situated in Malaysia (including any right or interest thereof) or shares in another controlled company, or owns both, where the defined value of the real property or shares, or both, is not less than seventy-five per cent of the value of its total tangible asset;’; and

- (ii) in the definition of “value of its total tangible assets”, by inserting before the word “means” the words “in relation to the relevant company or another controlled company,”.

Amendment of section 34**6. Subsection 34(6) of the principal Act is amended—**

(a) by substituting for paragraph (h) the following paragraph:

“(h) an amount equal to the expenditure incurred by the relevant person in the relevant period on the provision of services, public amenities and contributions to a charity or community project pertaining to education, health, housing, conservation or preservation of environment, enhancement of income of the poor, infrastructure, information and communication technology or maintenance of a building designated as a heritage site by the Commissioner of Heritage under the National Heritage Act 2005 [Act 645], and where the amount of expenditure is—

- (i) not more than three hundred thousand ringgit, the amount of expenditure shall be verified and the charity or community project shall be approved, by the relevant government authority; or
- (ii) more than three hundred thousand ringgit, the amount of expenditure shall be verified by the relevant government authority and the charity or community project shall be approved by the Minister:

Provided that where a deduction has been made under this paragraph, no further deduction of the same amount shall be allowed under subsection 44(6).”; and

(b) by substituting for paragraph (ha) the following paragraph:

“(ha) an amount equal to the expenditure incurred by a company on the provision of infrastructure in relation to its business which is available for public use, and where the amount of expenditure is—

- (i) not more than three hundred thousand ringgit, the amount of expenditure and the provision of infrastructure shall be verified and approved by the relevant government authority; or

- (ii) more than three hundred thousand ringgit, the amount of expenditure shall be verified by the relevant government authority and the provision of infrastructure shall be approved by the Minister:

Provided that where a deduction has been made under this paragraph, no further deduction of the same amount shall be allowed under subsection 44(6).”.

Amendment of section 44

7. Subsection 44(7) of the principal Act is amended in the definition of “organization”, in paragraph (*k*), by deleting the words “as defined in subsection 46(2)”.

Amendment of section 45A

8. Subsection 45A(1) of the principal Act is amended by substituting for the words “five thousand ringgit” the words “six thousand ringgit”.

Amendment of section 46

9. Subsection 46(1) of the principal Act is amended—

(a) in paragraph (*c*)—

- (i) by substituting for the word “parents” wherever appearing the words “parents or grandparents”; and

(ii) in the proviso—

- (A) in subparagraph (*b*), by substituting for the words ‘ “parents” ’ the words ‘ “parents or grandparents” ’; and

- (B) by inserting after subsubparagraph (c) the following subsubparagraph:

“(ca) “complete medical examination” shall include any vaccination;”;

- (b) in paragraph (e), by substituting for the words “six thousand ringgit” the words “seven thousand ringgit”;

- (c) in paragraph (h)—

- (i) in subparagraph (i), by inserting after the word “expenses” the words “or payment of fees for disease detection test”; and

- (ii) by substituting for subparagraph (ii) the following subparagraph:

“(ii) the purchase of self-testing medical device registered under the Medical Device Act 2012 [Act 737] (not being used for the purposes of his own business), as evidenced by receipts of the purchase; or”;

- (d) in paragraph (ha), by substituting for the words “four thousand ringgit” the words “six thousand ringgit”;

- (e) by substituting for paragraph (k) the following paragraph:

“(k) an amount limited to a maximum of eight thousand ringgit deposited for each basis year for the years of assessment 2025, 2026 and 2027 by that individual for his child into the Skim Simpanan Pendidikan Nasional account established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 [Act 566]:

Provided that—

- (i) if any withdrawal is made from the account by that individual in that basis year, the amount deposited during that

year shall be reduced by that withdrawal and regard shall be had only to the reduced amount subject to a maximum amount of eight thousand ringgit;

- (ii) the withdrawal referred to in subparagraph (i) shall not include the amount withdrawn for higher education which is received by the child;
 - (iii) where a wife living together with her husband is assessed separately for that year, the deduction under this paragraph shall only be allowed either to the husband or to the wife; and
 - (iv) the maximum amount of deduction under this paragraph shall apply, notwithstanding that, that individual may have more than one child;”;
- (f) in the proviso to paragraph (r), in paragraph (c), by substituting for the words “until 2024” the words “until 2027”;
- (g) in paragraph (u)—
- (i) by substituting for the words “or child” wherever appearing the words “, child or parents”; and
 - (ii) by inserting the following proviso:

“Provided that for the purposes of this paragraph, “parents” shall be individuals resident in Malaysia; and”; and
- (h) by substituting for paragraph (v) the following paragraph:
- “(v) expenses expended in that basis year by that individual—
- (i) for the payment of installation, rental, purchase including hire-purchase of equipment or subscription for use of electric vehicle

charging facility for his own vehicle and not being used for the purposes of his own business for each basis year for the years of assessment 2023, 2024, 2025, 2026 and 2027; or

- (ii) for the purchase of food waste compost machine used for the household purpose of the individual for the years of assessment 2025, 2026 and 2027:

Provided that—

- (a) the claim is evidenced by receipts issued in respect of the payment or purchase, as the case may be;
- (b) the deduction under subparagraph (ii) shall only be claimed once in the years of assessment as stated in subparagraph (ii); and
- (c) the total amount of deduction under this paragraph is subject to a maximum amount of two thousand and five hundred ringgit;”.

Substitution of section 46B

10. The principal Act is amended by substituting for section 46B the following section:

“Deduction for individual on interest expended

46B. (1) Subject to this section, in the case of an individual who is a citizen and resident for the basis year for the relevant year, there shall be allowed for that relevant

year personal deduction in respect of interest expended in that basis year by the individual to finance the purchase of a residential property:

Provided that—

- (a) the residential property is the first residential property purchased by the individual to be occupied as his place of residence and limited to only one unit;
- (b) the Sale and Purchase Agreement for the purchase is executed on or after 1 January 2025 but not later than 31 December 2027; and
- (c) the individual shall not derive any income in respect of that residential property.

(2) Subject to subsection (3)—

- (a) there shall be allowed to that individual a deduction of a maximum amount of—
 - (i) seven thousand ringgit, in relation to a residential property where the purchase price is not more than five hundred thousand ringgit; or
 - (ii) five thousand ringgit, in relation to a residential property where the purchase price is more than five hundred thousand ringgit but not more than seven hundred and fifty thousand ringgit; and

- (b) the deduction under paragraph (a) shall be for each basis year for a year of assessment for a period of three consecutive basis years beginning from the basis year in which the interest referred to in subsection (1) is first expended by that individual.

(3) Where—

- (a) two or more individuals are each entitled to claim deduction for the relevant year under this section for interest expended in respect of the same residential property; and

- (b) the total amount of interest expended by those individuals in the basis year for that relevant year exceed the amount of deduction allowable for that relevant year under subsection (2),

there shall be allowed to each of those individuals for that relevant year an amount to be determined in accordance with the following formula:

$$A \quad \times \quad \frac{B}{C}$$

- where A is the total amount of deduction allowed under subsection (2) for that relevant year;
- B is the total interest expended in the basis year for that relevant year by that individual; and
- C is the total interest expended in the basis year for that relevant year by all such individuals.

(4) For the purposes of subsection (1), any amount expended by the wife or the husband in the relevant year—

- (a) where subsection 45(2) applies, shall be deemed to have been expended by the husband of the wife who elects or by the wife of the husband who elects, as the case may be; or
- (b) where the wife or the husband has no total income, shall be deemed to have been expended by the husband of that wife or the wife of that husband, as the case may be:

Provided that where paragraph 45(2)(b) applies or where the husband has no total income, any amount expended by the husband shall be deemed to have been expended by the wife who has been allowed a deduction under section 45A.

(5) For the purposes of this section, “residential property” means a house, condominium unit, apartment or flat which is built as a dwelling house.”.

Amendment of section 47

11. Paragraph 47(1)(b) of the principal Act is amended by substituting for the words “five thousand ringgit” the words “six thousand ringgit”.

Amendment of section 48

12. Paragraph 48(2)(b) of the principal Act is amended by substituting for the words “six thousand ringgit” the words “eight thousand ringgit”.

Amendment of section 49

13. Subsection 49(1B) of the principal Act is amended by substituting for the words “three thousand ringgit” wherever appearing the words “four thousand ringgit”.

Amendment of section 107C

14. Subsection 107C(8) of the principal Act is amended in the proviso by substituting for the words “ninth month” the words “eleventh month”.

Amendment of section 108

15. Section 108 of the principal Act is amended—

(a) by renumbering the existing section as subsection (1);
and

(b) by inserting after the renumbered subsection (1)
the following subsection:

“(2) Where a dividend is paid, credited or distributed, whether in monetary form or otherwise, by a company to any of its shareholders which is an individual, either through direct shareholding or a nominee, and the dividend is deemed by virtue of section 14 to be derived from Malaysia, the company shall,

upon paying, crediting or distributing the dividend, furnish the shareholders with a certificate setting forth in respect of the dividend—

- (a) the gross amount; and
- (b) the amount paid or credited or where the dividend consists of property other than money, the amount of the market value of that property at the time of the distribution of the dividend.”.

Amendment of Schedule 1

16. Schedule 1 to the principal Act is amended by inserting after Part XXI the following part:

“PART XXII

1. Notwithstanding Part I, income tax shall be charged upon the income of an individual which consists of dividend paid, credited or distributed, whether in monetary form or otherwise, by a company, and the dividend is deemed by virtue of section 14 to be derived from Malaysia, in excess of one hundred thousand ringgit at the rate of 2 per cent on every ringgit of the chargeable income in respect of such dividend.
2. In this Part, where the individual has income from a source other than dividend referred to in paragraph 1, the chargeable income of the individual referred to in that paragraph, shall be as prescribed by the Minister.”.

Amendment of Schedule 6

17. Paragraph 12B of Schedule 6 to the principal Act is amended—

- (a) by renumbering the existing paragraph as subparagraph (1);
- (b) in the renumbered subparagraph (1), by inserting after the words “to any person” the words “other than an individual”; and

- (c) by inserting after the renumbered subparagraph (1) the following subparagraph:

“(2) Any dividend paid, credited or distributed to an individual, whether in monetary form or otherwise, amounting to one hundred thousand ringgit or less where the company paying such dividend is not entitled to deduct tax under this Act and any deduction in relation to such dividend shall be disregarded for the purpose of ascertaining the chargeable income of the individual.”.

CHAPTER III

AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

Commencement of amendments to the Real Property Gains Tax Act 1976

18. This Chapter comes into operation on 1 January 2025.

Amendment of section 3

19. The Real Property Gains Tax Act 1976, which is referred to as the “principal Act” in this Chapter, is amended in section 3—

(a) in subsection (2)—

- (i) by deleting the word “total”;
- (ii) in the English language text, by substituting for the word “gains” the word “gain”; and
- (iii) in the English language text, by substituting for the word “assets” the word “asset”; and

(b) by inserting after subsection (2) the following subsection:

“(2A) For the purposes of this Act, the chargeable gain accruing on the disposal of chargeable asset for a year of assessment shall be—

- (a) ascertained by reference to each disposal separately; and

- (b) treated as a separate chargeable gain from each disposal of chargeable asset for the year of assessment.”.

Amendment of section 7

20. Subsection 7(4) of the principal Act is amended—

(a) by substituting for paragraph (a) the following paragraph:

“(a) there is an allowable loss in respect of a disposal, such allowable loss shall only be allowed as a deduction to reduce the chargeable gain of a person in the subsequent disposal of chargeable asset in the same year of assessment in which the disposal was made; and”; and

(b) in paragraph (b)—

(i) by deleting the word “total” wherever appearing; and

(ii) by inserting after the words “which there is total chargeable gain” the words “from the disposal of chargeable asset at an earlier point in time”.

Amendment of section 11

21. Section 11 of the principal Act is amended by substituting for the words “total amount of his chargeable gains” the words “amount of his chargeable gain accruing on each disposal of chargeable asset”.

Amendment of section 21

22. Section 21 of the principal Act is amended—

(a) in subsection (1A)—

(i) by deleting the words “or additional tax”;

(ii) by substituting for the words “sixty days” the words “ninety days”; and

(iii) by deleting the words “or additional assessment”; and

(b) by substituting for subsection (4) the following subsection:

“(4) Subject to subsection (3), where any tax due and payable on the service of a notice in accordance with subsection (1) or (2) has not been paid within thirty days after the service of that notice (or within such longer period as may be allowed by the Director General) or where any tax due and payable under subsection (1A) has not been paid within the period of ninety days from the date of disposal, so much of the tax as is unpaid upon the expiration of the thirty days or that longer period, or upon the expiration of the ninety days, as the case may be, shall, without any further notice being served on him, be increased by a sum equal to ten per cent of the tax so unpaid, and that sum shall be recoverable as if it were tax due and payable under this Act:

Provided that—

(a) if the tax payable is reduced on appeal or otherwise, the sum paid or payable by way of increase shall be reduced proportionately; and

(b) the Director General may, in his discretion, for any good cause shown, remit the whole or any part of any increase in the tax payable under this subsection.”.

CHAPTER IV

AMENDMENTS TO THE STAMP ACT 1949

Commencement of amendments to the Stamp Act 1949

23. (1) Sections 24, 26 and 27, and section 25 in relation to section 36CB of the Stamp Act 1949 come into operation on 1 January 2025.

(2) Section 25 in relation to section 36CA of the Stamp Act 1949 comes into operation on 1 January 2026.

Amendment of section 20A

24. The Stamp Act 1949, which is referred to as the “principal Act” in this Chapter, is amended in section 20A—

(a) by renumbering the existing section as subsection (1);

(b) in the renumbered subsection (1)—

(i) by substituting for the words “, any consideration is paid or given, or agreed to be paid or given, for equality” the words “with or without consideration”; and

(ii) in paragraph (a), by substituting for the words “the same *ad valorem* duty as a conveyance on sale for the consideration, and with that duty only” the words “*ad valorem* duty as if it were a conveyance on sale”; and

(c) by inserting after the renumbered subsection (1) the following subsection:

“(2) Notwithstanding subsection (1), where an instrument is chargeable with a duty in respect of an exchange of any real property for any real property or upon the partition or division of any real property, and no consideration is paid or given, or agreed to be paid or given, the instrument shall be chargeable with the duty of ten ringgit only if—

(a) in such partition or division both transferor and transferee are the original owners of the real property;

- (b) such exchange of real property is between any person and a Ruler of a State or the Government of Malaysia or of any State; or
- (c) such exchange of real property is between husband and wife, parent and child, grandparent and grandchild or among siblings.”.

New sections 36CA and 36CB

25. The principal Act is amended by inserting after section 36C the following sections:

“Assessment and additional assessment in certain cases

36CA. (1) The Collector, where it appears to him that no or no sufficient assessment has been made on an instrument chargeable to duty, may in that year or within five years after the date the duty is paid or would have been paid make an assessment or additional assessment, as the case may be, in respect of that instrument in the amount or additional amount of duty payable or in the additional amount of duty in which, according to the best of the Collector’s judgment, the assessment with respect to that instrument ought to have been made.

(2) The Collector, where it appears to him that—

- (a) any form of fraud or wilful default has been committed by or on behalf of any person; or
- (b) any person has been negligent,

in connection with or in relation to duty, may at any time make an assessment in respect of that instrument for the purpose of making good any loss of duty attributable to the fraud, wilful default or negligence in question.

Minimum amount of duty

36CB. Notwithstanding any other provision of this Act, an amount of ten ringgit shall be imposed as duty for each instrument where the duty is less than ten ringgit except for cheque and contract note.”.

Amendment of section 47A

26. Section 47A of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) An instrument which is not stamped within the period specified in or under section 40, 43 or 47 may be stamped on payment of the unpaid duty and a penalty of—

- (a) fifty ringgit or ten per centum of the amount of the deficient duty, whichever sum be the greater, if the instrument is stamped within three months after the time for stamping; or
- (b) one hundred ringgit or twenty per centum of the amount of the deficient duty, whichever sum be the greater, in any other case.”.

Amendment of First Schedule

27. The First Schedule to the principal Act is amended—

(a) by substituting for item 12 the following item:

Item	Description of Instrument	Proper Stamp Duty
“12	ASSIGNMENT:	
(a)	By way of security or of any security	<i>See Charge</i>
(b)	Upon a sale or otherwise	<i>See Conveyance</i>
(c)	Of policy of life insurance—	
	(i) by way of gift or trust, where the sum insured—	
	(A) does not exceed RM100,000.00	RM10.00
	(B) exceeds RM100,000.00 but does not exceed RM500,000.00	RM100.00

Item	Description of Instrument	Proper Stamp Duty
	(C) exceeds RM500,000.00 but does not exceed RM1,000,000.00	RM500.00
	(D) exceeds RM1,000,000.00	RM1,000.00
	(ii) in any other case	<i>See Conveyance</i> ";

(b) in subitem 22(6), by substituting for the words “the conventional hire purchase and Syariah principles” the words “any Syariah principles or conventional hire purchase”;

(c) in item 29, in the column of “Proper Stamp Duty”, by substituting for the words “15 cent” the words “RM1.00”;

(d) in subsubitem 32(e)(i), in the column of “Proper Stamp Duty”, by inserting after the words “Duty as in (a),” the words “(aa),”;

(e) in item 49—

(i) by substituting for subitem (a) and the particulars relating to it the following subitem and particulars:

Item	Description of Instrument	Proper Stamp Duty			
“(a)	Without fine or premium when the average rent and other considerations calculated for a whole year—	For every RM250.00 or part thereof, when the lease is for a period—			
		Not exceeding one year	Exceeding one year but not exceeding three years	Exceeding three years but not exceeding five years	Exceeding five years or for any indefinite period
		RM1.00	RM3.00	RM5.00	RM7.00”;

and

(ii) in subitem (e), by substituting for the word “Commissioner” the word “Collector”; and

(f) by substituting for item 59 and the particulars relating to it the following item and particulars:

Item	Description of Instrument	Proper Stamp Duty
“59 POWER OR LETTER OF ATTORNEY:		
(a)	being conveyance of real property in consideration of, and creating by way of sale or gift	The same duty as a conveyance on sale
(b)	in any other case	RM10.00

Exemption

For the sole purposes of appointment or authorizing any person to vote as proxy at a meeting of a Company or Association”.

CHAPTER V

AMENDMENT TO THE PETROLEUM (INCOME TAX) ACT 1967

Commencement of amendment to the Petroleum (Income Tax) Act 1967

28. This Chapter comes into operation on the coming into operation of this Act.

Amendment of First Schedule

29. The Petroleum (Income Tax) Act 1967 is amended in paragraph 3A of the First Schedule by substituting for subparagraph (4) the following subparagraph:

“(4) Any amount deducted under subparagraphs (1) and (2) shall be disregarded for the purpose of ascertaining the adjusted income of the first-mentioned chargeable person.”.

CHAPTER VI

AMENDMENT TO THE FINANCE ACT 2012

Commencement of amendment to the Finance Act 2012

30. This Chapter comes into operation on the coming into operation of this Act.

Amendment of section 3

31. The Finance Act 2012 is amended in subsection 3(4) by substituting for the words “until the year of assessment 2025” the words “until the year of assessment 2030”.

CHAPTER VII

AMENDMENT TO THE FINANCE (NO. 2) ACT 2023

Commencement of amendment to the Finance (No. 2) Act 2023

32. This Chapter comes into operation on the same date and in the same manner as section 30 of the Finance (No. 2) Act 2023 comes into operation.

Amendment of section 30

33. Section 30 of the Finance (No. 2) Act 2023 is amended—

(a) in subsection 157(1)—

(i) in the definition of “Acceptable Financial Accounting Standard”, by deleting the words “Malaysia,”;

(ii) in the definition of “Investment Entity”, by substituting for paragraph (a) the following paragraph:

“(a) an Investment Fund, a Real Estate Investment Vehicle or an Insurance Investment Entity;”; and

- (iii) by inserting after the definition of “Main Entity” the following definition:

‘ “Marketable Transferable Tax Credit” means a tax credit, other than a Qualified Refundable Tax Credit, which can be used to reduce liability for a Covered Tax in the jurisdiction that issues the tax credit and the tax credit is transferable—

- (a) in relation to the originator of a Marketable Transferable Tax Credit—

(i) where the originator transfers the tax credit to an unrelated party, the transfer shall take place in the Financial Year in which the originator was eligible for the tax credit or within fifteen months of the end of that Financial Year at a price that equals or exceeds eighty per cent of the net present value of the tax credit; or

(ii) where the tax credit is not transferred or transferred between related parties, similar tax credit may be traded between unrelated parties within fifteen months of the end of that Financial Year at a price that equals or exceeds eighty per cent of the net present value of the tax credit; and

- (b) in relation to the purchaser of a Marketable Transferable Tax Credit, the purchaser, who is unrelated to the originator, may transfer the tax credit to another unrelated purchaser under the same or similar conditions as would apply to the originator at a price that equals or exceeds eighty per cent of the net present value of the tax credit in the Financial Year in which it purchases the tax credit;’;

(b) in section 162, by substituting for subsection (2) the following subsection:

“(2) A Parent Entity’s Inclusion Ratio for a Low-Taxed Constituent Entity for a Financial Year shall be determined in accordance with the following formula:

$$\frac{A - B}{A}$$

where A is the GloBE Income of the Low-Taxed Constituent Entity for the Financial Year; and

B is the amount of such income attributable to Ownership Interests held by other owners.”;

(c) in section 164—

(i) by renumbering the existing section as subsection (1); and

(ii) by inserting after the renumbered subsection (1) the following subsections:

“(2) For the purposes of the Domestic Top-up Tax, the Financial Accounting Net Income or Loss of a Constituent Entity which is a member of a Multinational Enterprise Group and located in Malaysia but not being a Permanent Establishment of a Main Entity shall be determined based on the financial statement of the Constituent Entity if—

(a) all of the Constituent Entities of the Multinational Enterprise Group which are located in Malaysia have the same Financial Year as the Ultimate Parent Entity of the Multinational Enterprise Group; and

(b) each of the Constituent Entities prepares its own financial statements and the financial statements—

(i) are required to be kept or used under any written law of Malaysia; or

(ii) are audited by an approved company auditor.

(3) Where a Constituent Entity located in Malaysia is a Permanent Establishment of a Main Entity, subsection (2) shall apply to the Constituent Entity if, in addition to meeting the requirements in paragraphs 2(a) and (b), the Main Entity prepares separate financial statements for the Constituent Entity.

(4) For the purposes of this section, “approved company auditor” and “financial statement” have the meanings assigned to them in subsection 2(1) of the Companies Act 2016.”;

(d) in subsection 165(10), by inserting after the words “Qualified Refundable Tax Credits” the words “and Marketable Transferable Tax Credits”;

(e) in section 169—

(i) in subsection (5)—

(A) in paragraph (c), by deleting the word “and” at the end of the paragraph;

(B) in paragraph (d), by substituting for the full stop at the end of the paragraph the words “; and”; and

- (C) by inserting after paragraph (d) the following paragraph:

“(e) any amount of credit of a Constituent Entity for the Financial Year in respect of a Marketable Transferable Tax Credit that is recorded as a reduction to the current tax expense.”; and

- (ii) in subsection (6)—

- (A) in paragraph (b), by substituting for the words “in respect of a Non-Qualified Refundable Tax Credit” the words “other than a Qualified Refundable Tax Credit and Marketable Transferable Tax Credit”; and

- (B) by substituting for paragraph (c) the following paragraph:

“(c) any amount of credit or refund for Covered Taxes, except for a Qualified Refundable Tax Credit or Marketable Transferable Tax Credit, to a Constituent Entity that is not treated as an adjustment to current tax expense in the financial accounts;”;

- (f) in subsection 173(6), by inserting after the word “adjustment” the words “under subsections (1) to (5)”;

- (g) by deleting subsection 176(2);

- (h) in subsection 177(1)—

- (i) in the formula, in explanation C, by substituting for the words “subsection 169(3) or 181(1)” the words “subsections 169(3) and (4) or subsection 181(1)”;

- (ii) in the formula, in explanation D, by deleting the words “the Domestic Top-up Tax, being”;

- (i) in subsection 180(9), by inserting after the words “amortisation,” the words “impairment loss”;
- (j) in subsection 181(3), by substituting for the word “paragraph” the word “section”;
- (k) by deleting subsection 192(12);
- (l) by substituting for section 197 the following section:

“Transitional relief for the Substance-based Income Exclusion

197. (1) For the purpose of applying subsection 180(4) to a Financial Year beginning in the calendar year of 2025 and subsequent calendar years until the calendar year of 2032, the amount of payroll carve-out for each Financial Year shall be computed according to the following rate:

Financial Year beginning in the following calendar year	Rate
2025	9.6%
2026	9.4%
2027	9.2%
2028	9.0%
2029	8.2%
2030	7.4%
2031	6.6%
2032	5.8%

(2) For the purpose of applying subsection 180(5) to a Financial Year beginning in the calendar year of 2025 and subsequent calendar years until the calendar year of 2032, the amount of tangible asset carve-out for each Financial Year shall be computed according to the following rate:

Financial Year beginning in the following calendar year	Rate
2025	7.6%
2026	7.4%

Financial Year beginning in the following calendar year	Rate
2027	7.2%
2028	7.0%
2029	6.6%
2030	6.2%
2031	5.8%
2032	5.4%”;

(m) in subparagraph 199(1)(a)(iv), by substituting for the word “paragraphs” the word “subparagraphs”;

(n) in section 220—

(i) in subsection (1), by substituting for the words “subsection (2)” the words “subsection (3)”;

(ii) in subsection (4), by substituting for the word “Where” the words “Subject to subsection (6), where”; and

(iii) in subsection (5), by substituting for the words “subsection (7)” the words “subsection (6)”;

(o) by substituting for paragraph 239(b) the following paragraph:

“(b) section 138 shall apply to this Part and the reference to “the income of any person or partnership” in the definition of “classified material” in subsection 138(5) shall be construed as a reference to “the tax of any Constituent Entity”; and”.