

Key HR-related Provisions from the Recent Budget 2025 Announcement

From the recent Budget 2025 announcement, we have summarised below what will be most relevant for those handling HR matters:

1. Tax Incentive for Flexible Work Arrangements

Employers who invest in flexible work arrangements can benefit from additional tax relief. Expenses related to capacity building and software acquisition for implementing such arrangements, capped at RM500,000, will now be eligible for an **additional 50% tax deduction**.

Action Point: Assess current investments in flexible work arrangements.

2. Additional Paid Care Leave Incentives

An **additional tax deduction of up to 50%** is given to employers who provide up to 12 months of additional paid care leave facilities to employees who care for sick or disabled children or family members.

Action Point: Consider enhancing paid care leave incentives.

3. Tax Deduction Extension for Childcare Allowances

The Government is **extending tax deductions** for employers who provide childcare allowances to now cover allowances for **elderly care** (parents or grandparents) from Year of Assessment (YA) 2025.

Action Point: Review current allowances to consider extending these benefits to include elderly care.

4. Incentives for Hiring Women Returning to Work

Employment expenses for a period of 12 months for hiring women returning to the workforce will be eligible for an **additional 50% tax deduction**.

Action Point: Explore opportunities to hire women returning to work to benefit from this incentive.

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October 2024

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5. Incentives for Hiring Disabled Individuals and Former Convicts

Employers who hire disabled individuals or former convicts will receive an **incentive of RM600 per month for three (3) months**.

Action Point: Consider expanding your recruitment efforts to include disabled individuals and former convicts to qualify for this government incentive.

6. Minimum Wage Increase

The minimum wage will increase from **RM1,500 to RM1,700**, effective **1 February 2025**. However, businesses with fewer than 5 employees will be granted a **6-month deferment** until **1 August 2025**.

Action Point: Review your wage structures and prepare for this increase.

7. Mandatory EPF Contributions for Non-Citizen Employees

The Government will mandate Employees Provident Fund (EPF) contributions for all non-citizen employees. This measure will be implemented in phases.

Action Point: Ensure that HR team is aware of and begins preparing for phased implementation.

8. Multi-Level Levy Mechanism for Foreign Workers

To reduce dependence on foreign workers, a **multi-level levy mechanism** will be introduced early 2025.

Action Point: Once details are available, evaluate your workforce composition and consider strategies to reduce dependency on foreign labour to mitigate the impact of the multi-level levy.

Conclusion

Based on the recent Budget announcement the Government intends to introduce several initiatives that offer both opportunities and challenges for employers. We recommend that HR teams, along with Finance and Compliance departments, watch out for and begin planning for changes to optimise cost savings and ensure compliance with new regulations which will be introduced.

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