

## **AskSupra Update December 2024: Key Points from Budget 2025 for HR Managers Planning**

The Malaysian government's Budget 2025 introduces several key initiatives that are directly relevant to Human Resource (HR) managers. These measures focus on supporting employers, empowering workers, and ensuring social welfare, which can significantly impact HR operations.

Here's a breakdown of the essential budget announcements that HR Managers need to be aware of:

### **1. Tax Relief for Employers Supporting Flexible Working Arrangements and Untapped Talent Pools**

In a move to encourage more inclusive and flexible working environments, the government is offering various tax incentives for employers. HR managers should note the following:

- **50% Tax Deduction for Flexible Working:** Employers implementing flexible working arrangements will be eligible for an additional 50% tax deduction on costs related to capacity building and software procurement. This is a great opportunity for businesses to enhance their operational flexibility while reducing tax liabilities.
- **Support for Women Returning to Work:** Employers who hire women returning to the workforce after a break will be granted a 50% tax deduction for 12 months of employment. This initiative aligns with efforts to address gender parity and support women's economic participation.
- **Tax Deduction for Paid Care Leave:** Employers providing up to 12 months of paid leave for employees caring for sick or disabled family members will also benefit from a 50% tax deduction. This is an important measure to improve work-life balance and support employees with caregiving responsibilities.
- **SOCSCO Rehabilitation Centre:** A new rehabilitation centre will be established on the East Coast to assist employees recovering from illness or injury, ensuring they can return to work after treatment. HR managers can tap into these resources for employee rehabilitation support.

### **2. Training Opportunities for Talent Development**

A focus on skill development and talent acquisition is a key theme in Budget 2025, which includes:

- **Khazanah Youth Development Programme (K-Youth):** RM200 million will be allocated to develop 11,000 local talents in critical sectors like semiconductors. HR managers should explore how these programs can support talent pipeline initiatives.
- **Training for Vulnerable Groups:** The government is committing RM3 billion to provide 3 million training opportunities, with a focus on vulnerable groups, including youth, the urban poor, marginalized communities, and Orang Asli groups. This creates opportunities for employers to enhance their workforce diversity and inclusivity.
- **AI Education and Research:** With an earmarked RM50 million for AI-related education, HR managers should keep an eye on these opportunities for upskilling in AI, which could be vital for keeping up with the technological demands of the workplace.

### **3. Changes to EPF Contributions and Social Security Schemes**

Several updates to Malaysia's social security and retirement plans will have a direct impact on HR policies:

- **EPF Contributions for Non-Citizens:** Beginning in 2025, all non-citizen workers will be mandated to contribute to the Employee Provident Fund (EPF). This will affect HR managers who employ foreign workers and will require updates to payroll systems to ensure compliance.
- **Enhancements to the EPF Scheme:** The government is also strengthening the inter-generational transfer approach, enabling EPF savings to be transferred to immediate family members' EPF accounts. HR Managers will need to update employees about these changes for future financial planning.
- **Self-Employed Workers:** For gig workers, the government will continue its support by bearing 70% of their contributions under the Self-Employed Social Security Scheme, as part of efforts to make their social protection more robust. HR managers who hire freelancers or contractors may want to monitor these developments closely.

#### **4. Increase in Minimum Wage and Progressive Wage Policy**

A major HR consideration will be the increase in the minimum wage:

- **Minimum Wage Adjustment:** The minimum wage will rise from RM1,500 to RM1,700 per month, effective from February 2025. Employers will need to ensure compliance with this new rate, particularly small businesses with fewer than five employees, where the change will take effect later in August 2025.
- **Progressive Wage Policy:** A RM200 million allocation for the Progressive Wage Policy will support initiatives aimed at raising workers' wages. HR managers should familiarize themselves with these policies to stay ahead of compliance and workforce planning strategies.
- **Incentives for the B40 Group:** The government has allocated RM250 million to support the income participation of more B40 citizens in the People's Income Initiative (IPR). HR Managers in companies with large numbers of low-income workers may need to explore these incentive schemes to better support their teams.

#### **5. Individual Income Tax Updates**

HR managers also need to consider the following changes in individual income tax provisions:

- **Tax Exemption on Foreign Source Income (FSI):** The tax exemption for foreign source income has been extended until 2036, which may impact expatriates or employees with cross-border income.
- **Medical and Education Tax Relief:** There are increased exemptions for medical expenses (up to RM10,000) and education insurance premiums (up to RM4,000). HR managers should ensure that employees are aware of these benefits as part of their personal financial planning offerings.
- **Housing Loan Interest Relief:** Individual tax relief for housing loan interest will be offered for loans completed between January 2025 and December 2027, providing potential savings for employees looking to purchase homes.

## **6. Support for Retirement Savings and Contributions**

The government will continue to incentivize retirement savings with various support schemes:

- **Private Retirement Scheme (PRS) and Annuity Contributions:** The extension of income tax relief for contributions to Private Retirement Schemes and deferred annuity premiums until 2030 provides employees with additional retirement security. HR managers may want to consider promoting PRS options within their benefits package.
- **i-Saraan and Matching Contributions:** The government will match individual contributions to the i-Saraan programme, which supports low-income groups. Employers can help employees take full advantage of this by providing awareness and encouraging participation.

### **Conclusion**

The key measures outlined in Budget 2025 present significant opportunities and challenges for HR Managers. From tax reliefs to encourage flexible work arrangements to enhanced support for training and social security programs, HR managers must stay informed and proactive to implement these changes successfully. By aligning their strategies with these government initiatives, HR Managers can create a more inclusive, productive, and financially secure workforce for the future.

At AskSupra, we are committed to keeping you updated on the latest developments on HR management and helping you navigate the evolving HR landscape. Our team of experts are dedicated to guiding you through the complexities of adjusting to these changes.

We understand the importance of staying ahead of regulatory changes, and we are here to support you in embracing HR best practices that align with both legal requirements and industry standards. Whether you're managing compensation, employee relations, employee performance or training programs, we will provide the insights and tools necessary to ensure that your organization remains compliant, competitive, and a top employer in the market.

Stay tuned for more updates and expert guidance from AskSupra to help you thrive in today's dynamic HR environment.