



Malaysia Budget 2023

- Tax snapshots

7 October 2022



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# Highlights

Budget 2023 was announced today, 7 October 2022.

The Budget 2023 proposals were formulated to focus on reforms to improve the *rakyat's* well-being, increase the competitiveness of Malaysian businesses as they move up the value chain and strengthen the nation's resilience. The tax proposals included measures aimed at increasing government tax revenues and spurring investment.

## Key tax takeaways

- ▶ Global minimum tax of 15%, including Qualified Domestic Minimum Top-Up Tax (QDMTT), with implementation targeted in 2024. This is in line with Pillar Two of the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) 2.0 Project.
- ▶ E-invoicing will be implemented in stages from 2023.
- ▶ Carry-forward of losses for companies in sectors with long-gestation periods (e.g., forestry and hydroelectric projects) will be extended from 10 years of assessment to 20 years of assessment.
- ▶ Definition of "plant" under Schedule 3 of the Income Tax Act 1967 will be expanded to include "intangibles" such as software. Further guidance is expected on this point.
- ▶ Preferential tax rate for Small and Medium Enterprises (SME) will be reduced from 17% to 15% for the first RM100,000 of chargeable income, from the year of assessment (YA) 2023.
- ▶ Application period for the Global Trading Centre (GTC) will be extended by three years, until 31 December 2025. The GTC incentive provides for a 10% income tax rate for five years, renewable for a further five years.
- ▶ Application period for the Principal Hub 3.0 (PH) incentive will be extended by three years, until 31 December 2025. The PH incentive provides for an income tax rate of 0%, 5% or 10%, for prescribed high-value activities.

Read on for more tax snapshots from the Budget 2023 speech.

# Highlights of selected tax proposals

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## Individual tax

- ▶ Tax rates for tax resident individuals within the chargeable income bands of RM50,001 to RM70,000 and RM70,001 to RM100,000, will be reduced by two percentage points.
- ▶ Chargeable income bands of RM250,001 to RM400,000 and RM400,001 to RM600,000 for tax resident individuals, will be combined and subject to a tax rate of 25%.

The appendix sets out the current and proposed tax rates.

- ▶ Income tax exemption for women returning to the workforce after a career break will be extended until YA 2028.
- ▶ The following tax reliefs will be extended until YA 2024:
  - ▶ Fees paid to approved child-care centres and kindergartens of RM3,000
  - ▶ Net deposits in *Skim Simpanan Pendidikan Nasional* of RM8,000
- ▶ The scope of the following tax reliefs will be expanded:
  - ▶ Life insurance premiums or takaful contributions of RM3,000 to include voluntary Employees Provident Fund (EPF) contributions
  - ▶ Complete medical examination for self, spouse or child of RM8,000 to include dental examination and treatment expenses of up to RM1,000
- ▶ Special tax rate of 15% for C-suite positions in electrical and electronics companies relocating their operations to Malaysia, will be extended until YA 2024.

*The above are effective from YA 2023, unless otherwise stated.*

## Indirect tax

- ▶ Reintroduction of 50% excise duty exemption on purchase of Completely Knocked-Down (CKD) vehicles used for tourism (i.e., hire and drive cars, and tour buses) from 1 January 2023 until 31 December 2024.
- ▶ Excise duty and sales tax exemptions granted to individual taxi owners on the sale, transfer, private use or disposal of budget taxis and hired cars, to be extended to executive taxis, TEKS1M and airport taxis from 1 January 2023.
- ▶ Introduction of import duty and sales tax exemptions for Nicotine Replacement Therapy products from 1 January 2023 until 31 December 2027.

# Highlights of selected tax proposals

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- ▶ Introduction of import duty and sales tax exemptions for studio and film production equipment from 1 January 2023 until 31 December 2024.
- ▶ Import duty and excise duty exemptions on importation of Completely Built-Up (CBU) electric vehicles (EV) will be extended until 31 December 2024.
- ▶ Introduction of import duty and sales tax exemptions on equipment for Carbon Capture and Storage (CCS) technology from 1 January 2023 until 31 December 2027.
- ▶ Import duty exemption on raw materials or components, and machinery or equipment, for BioNexus status companies, will be extended until 31 December 2024.
- ▶ Import duty and sales tax exemptions on materials and equipment used directly for the construction or repairing of vessels for ship-building and ship-repairing companies with *bona fide* status will be extended until 31 December 2027.
- ▶ Sales tax exemption on the purchase of locally assembled buses will be extended until 31 December 2024.

## Corporate income tax incentives

- ▶ The accelerated capital allowance for automation equipment will be enhanced to include the adaptation of Industry 4.0 elements within the automation scope and to include the agriculture sector. The capital expenditure threshold will be aligned and increased to RM10 million. This is applicable for applications from 1 January 2023 until 31 December 2027.
- ▶ Preferential tax rates (0% to 10% for the first 10 years and 10% for the next 10 years) for manufacturers of pharmaceutical products will be extended until 31 December 2025.
- ▶ Tax incentives for Economic Development Corridors will be extended until 31 December 2024.
- ▶ Extension of incentive period for Green Investment Tax Allowance and Green Income Tax Exemption. The application period will be extended until 31 December 2025.
- ▶ Tax incentives for ship-building and ship-repairing industry will be extended for a period of five years. The application period will be extended until 31 December 2027.
- ▶ Tax incentives for the aerospace industry will be extended until 31 December 2025.

# Highlights of selected tax proposals

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## Stamp duty

- ▶ Stamp duty exemption for purchases of residential property valued between RM500,001 and RM1 million will be increased from 50% to 75%, up to 31 December 2023. This applies to first-time homeowners only.
- ▶ All instruments of transfer of property on grounds of love and affection between family members (between spouses, parent and child, and grandparent and grandchild) will be subject to RM10 stamp duty.
- ▶ Stamp duty exemption for restructuring or rescheduling of business loan or financing agreements executed between a borrower or customer and a financial institution will be extended until 31 December 2024.

## Other tax proposals

- ▶ Tax Identification Number (TIN) will be compulsory for stamping of all instruments and documents, from 2023.
- ▶ The Government expressed the intention to introduce a carbon tax and will study the feasibility of a carbon pricing mechanism.

## Personal income tax rates for tax-resident individuals

	Chargeable income (RM)	Current tax rate (%)	Current tax payable (RM)	Proposed tax rate (%) YA 2023 onwards	Proposed tax payable (RM) YA 2023 onwards
On the first	5,000	0	0	0	0
Next	15,000	1	150	1	150
On the first	20,000		150		150
Next	15,000	3	450	3	450
On the first	35,000		600		600
Next	15,000	8	1,200	8	1,200
On the first	50,000		1,800		1,800
Next	20,000	13	2,600	11	2,200
On the first	70,000		4,400		4,000
Next	30,000	21	6,300	19	5,700
On the first	100,000		10,700		9,700
Next	150,000	24	36,000	24	36,000
On the first	250,000		46,700		45,700
Next	150,000	24.5	36,750	25	37,500
On the first	400,000		83,450		83,200
Next	200,000	25	50,000	25	50,000
On the first	600,000		133,450		133,200
Next	400,000	26	104,000	26	104,000
On the first	1,000,000		237,450		237,200
Next	1,000,000	28	280,000	28	280,000
On the first	2,000,000		517,450		517,200
Exceeding	2,000,000	30		30	

Proposed changes to tax rates

# EY Tax Academy Flagship series: 2023 Budget and Tax Conference

**Monday, 17 October 2022 | 9:00 a.m. - 4:35 p.m.**

## Registration:

To register your attendance, please access <https://go.ey.com/3BKQf0H> by 12 October 2022



## For more information, contact:

E-mail: [seminar@my.ey.com](mailto:seminar@my.ey.com)

Maisarah Samsudin | +603 2388 7238

Rina Chan | +603 7495 8304



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