



Retabling of Malaysia
Budget 2023

- Tax snapshots

24 February 2023

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Highlights

Budget 2023 was retabled today, 24 February 2023.

The retabled Budget was based on the Honourable Prime Minister's new national development theme, "*Membangun Malaysia Madani*" (Developing Malaysia Madani). The *Madani* concept comprises six core values, namely sustainability, prosperity, innovation, respect, trust and compassion.

Budget 2023 is focused on addressing the high cost of living, strengthening the social safety net and enhancing the micro, small and medium enterprises (MSMEs) ecosystem. The Budget proposals also aim to attract investments and drive the nation's growth, while addressing the current economic challenges. In addition, there were announcements on key measures to reduce leakages, raise Government revenues and increase the efficiency of institutions and government-linked companies.

Key takeaways

- ▶ Reintroduction of Voluntary Disclosure Programmes (VDP) by the Inland Revenue Board and Royal Malaysian Customs Department. Penalties will be fully waived for VDP declarations made between 1 June 2023 and 31 May 2024.
- ▶ The Government will study the potential introduction of capital gains tax, at a low rate, on the disposal of unlisted shares by companies, from 2024.
- ▶ The Invest Malaysia Council and National Committee on Investment will lead efforts to accelerate the approvals for high-potential investment projects.
- ▶ Special Task Force to Facilitate Business (PEMUDAH) will be empowered to improve the investment climate and business environment.
- ▶ Restructuring of investment incentives towards a tiered tax system which is outcome-based.
- ▶ Preferential tax rate for MSMEs will be reduced from 17% to 15% for the first RM150,000 of chargeable income, from the year of assessment (YA) 2023.
- ▶ No broad-based consumption taxes (e.g., Goods and Services Tax) to be introduced, until income levels increase.
- ▶ The Ministry of Finance "Budget 2023 Touchpoints" document indicates that the global minimum tax will be introduced and the Qualified Domestic Minimum Top-Up Tax will be implemented from 2024.

Some of these tax measures were also included in the previous tabling of Budget 2023 in October 2022. Read on for more tax snapshots from the retabled Budget 2023 speech.

Highlights of selected tax proposals

Individual tax

- ▶ Tax rates for tax resident individuals for the following chargeable income bands will be reduced by two percentage points:
 - ▶ RM35,001 to RM50,000
 - ▶ RM50,001 to RM70,000
 - ▶ RM70,001 to RM100,000
- ▶ Tax rates for tax resident individuals for the following chargeable income bands will be increased by between 0.5 to two percentage points:
 - ▶ RM100,001 to RM250,000 (1%)
 - ▶ RM250,001 to RM400,000 (0.5%)
 - ▶ RM400,001 to RM600,000 (1%)
 - ▶ RM600,001 to RM1,000,000 (2%)

The Appendix sets out the current and proposed tax rates.

- ▶ The overall annual limit for tax relief on medical expenses will be increased from RM8,000 to RM10,000. Additionally, the scope of relief will be expanded to include intervention expenditure for Autism, Attention Deficit Hyperactivity Disorder (ADHD), Global Developmental Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities, of up to RM4,000.
- ▶ The annual tax relief of RM3,000 for life insurance premiums or *takaful* contributions will be expanded to include voluntary Employees Provident Fund (EPF) contributions for civil servants under the pension scheme.
- ▶ The annual tax relief of RM3,000 for fees paid to approved child-care centres and kindergartens will be extended until YA 2024.
- ▶ The special tax rate of 15% for individuals holding C-suite positions in certain manufacturing companies relocating their operations to Malaysia, will be extended until YA 2024.

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

Highlights of selected tax proposals

Indirect tax

- ▶ Introduction of Luxury Goods Tax for certain types of luxury goods, such as watches and fashion accessories, starting in the year 2023.
- ▶ Full import duty exemption on importation of components for locally assembled electric vehicles (EV), and full excise duty and sales tax exemptions for locally assembled Completely Knocked Down (CKD) EV, will be extended until 31 December 2027.
- ▶ Full import duty and excise duty exemptions on importation of Completely Built-Up (CBU) EV will be extended until 31 December 2025.
- ▶ Imposition of excise duty on liquids or gels containing nicotine for the use of electronic cigarettes and vape devices.
- ▶ Introduction of import duty and sales tax exemptions for Nicotine Replacement Therapy products from 1 April 2023 until 31 March 2026.
- ▶ Import duty and sales tax exemptions on equipment for Carbon Capture and Storage 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.
- ▶ Introduction of import duty and sales tax exemptions for studio and filming production equipment for three years, for applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.
- ▶ 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, will be extended to executive taxis, TEKS1M and airport taxis from 1 March 2023.

Highlights of selected tax proposals

Corporate income tax incentives

- ▶ Manufacturers of EV charging equipment will be given 100% income tax exemption on statutory income or 100% Investment Tax Allowance. This is applicable for applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025.
- ▶ Income tax exemption on statutory income for BioNexus status companies will be increased from 70% to 100%. This proposal is for applications received by the Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.
- ▶ 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 received by MIDA and the Ministry of Agriculture and Food Security from 1 January 2023 until 31 December 2027.
- ▶ Tax incentives for the 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.
- ▶ The application period for tax incentives for the aerospace industry will be extended until 31 December 2025.

Stamp duty

- ▶ All instruments of transfer of property on grounds of love and affection between parents and children, or grandparents and grandchildren, will be given a 100% stamp duty exemption on the first RM1 million of the property's value. Any remaining balance will be subject to stamp duty at an *ad valorem* rate, with a 50% remission on the duty imposed. This treatment only applies where the recipients of the property are Malaysian citizens and for instruments of transfer executed from 1 April 2023.
- ▶ 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.
- ▶ Full stamp duty exemption for purchases of residential property valued at RM500,000 or less and 75% stamp duty exemption for purchases of residential property valued between RM500,001 and RM1 million. These apply to first-time homeowners only.

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	6	900
On the first	50,000		1,800		1,500
Next	20,000	13	2,600	11	2,200
On the first	70,000		4,400		3,700
Next	30,000	21	6,300	19	5,700
On the first	100,000		10,700		9,400
Next	150,000	24	36,000	25	37,500
On the first	250,000		46,700		46,900
Next	150,000	24.5	36,750	25	37,500
On the first	400,000		83,450		84,400
Next	200,000	25	50,000	26	52,000
On the first	600,000		133,450		136,400
Next	400,000	26	104,000	28	112,000
On the first	1,000,000		237,450		248,400
Next	1,000,000	28	280,000	28	280,000
On the first	2,000,000		517,450		528,400
Exceeding	2,000,000	30		30	

Proposed changes to tax rates

EY Tax Academy Flagship Series: 2023 Budget and Tax Conference

Tuesday, 14 March 2023 | 9:00 a.m. – 4:35 p.m.

Registration:

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