2023
Budget Proposals

24 February 2023

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Pertinent Tax Measures

The 2023 Budget (superseding the previous Budget announced on 7 October 2022) was announced on 24 February 2023 by the newly formed Government led by Datuk Seri Anwar Ibrahim who is also the Honourable Finance Minister. The most notable tax measures observed are as follows:



Effective YA2023, resident individual income tax rate *reduced* by 2% for chargeable income bands between RM35,001 to RM100,000.

- Chargeable income band of **RM100,001 to RM250,000** will see an *increase* in tax rate by 1% (from **24% to 25%)**
- Chargeable income band of **RM250,001-RM400,000** will see an *increase* in rate of 0.5% (from **24.5% to 25%)**
- Chargeable income band of **RM400,001 – RM600,000** will see an *increase* in rate by 1% (from **25% to 26%**)
- Chargeable income band of **RM600,001 to RM1 million** will see an increase in rate by 2% (from **26% to 28%)**

This measure is aimed at income redistribution to aid the B40 and M40.



Corporate tax rate on the chargeable income of Micro, Small and Medium Enterprises (MSME) for the first RM150,000 will be reduced by 2% (from 17% to 15%), effective YA 2023.



A Capital Gains Tax on the disposal of unlisted shares by companies is planned to be introduced in 2024. Details are yet to be revealed and the government will conduct further study pertaining to this proposal.



The Government has intention to introduce a Luxury Goods Tax on luxury watches, luxury fashion goods, etc in an attempt to boost tax revenues whilst re-distributing income amongst the Rakyat.



Tax voluntary disclosure programme (tax amnesty) will be reintroduced with 100% waiver of penalty from 1 June 2023 to 31 May 2024. More details will likely follow soon.

Personal Income Tax



Tax relief on medical treatment expenses increased from RM8,000 to RM10,000, which will also see the scope expanded to include the intervention expenditure for Autism, Attention Deficit Hyperactivity Disorder (ADHD), Global Developmental Delay (GDD), Intellectual Disability, Downs Syndrome and Specific Learning Disabilities.

This relief is limited to RM4,000 effective YA2023.



EPF voluntary contributions will be eligible for tax relief from YA 2023 up to a maximum of RM3,000.



Tax relief of up to RM3,000 for child care centre or kindergarten fees will be extended until YA2024.

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Corporate Income Tax Incentives



Tax deduction of up to RM1.5 million on the cost of listing on the ACE and LEAP Markets is extended from YA 2023 to YA 2025.

This tax deduction is expanded to cover the cost of listing technology-based companies on Bursa Main Market.



Tax deduction on cost of issuing Sustainable and Responsible Investment Linked Sukuk that is approved or permitted or deposited with the Securities Commission Malaysia be given for a period of 5 years, from YA 2023 to YA 2027.



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Tax deduction be given to companies and other than companies (individuals, partnerships, trusts and cooperatives which derives business income) that make donations or sponsorship of Smart Artificial Intelligence (AI) - Driven Reverse Vending Machine.

For applications received by the Ministry of Finance (MOF) from 1 April 2023 until 31 December 2024.



Tax deduction for rental of non-commercial Electric Vehicles (EV) is given up to RM300,000, effective YA 2023 until YA 2025.

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Corporate Income Tax Incentives



Tax incentives for manufacturers of EV's charging equipment will be given 100% income tax exemption from YA 2023 to YA 2032; or Investment Tax Allowance of 100% for a period of 5 years.

For applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025.



Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years and tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operation will be given to companies undertaking Carbon Capture and Storage (CCS) in-house activity.

For applications received by MOF from 25 February 2023 until 31 December 2027. The tax deduction will be given from YA 2023 to YA 2027.



Companies undertaking CCS services will be given ITA of 100% of qualifying capital expenditure for a period of 10 years or 70% income tax exemption for a period of 10 years. Companies using CCS services will be given tax deduction on the fees incurred.

For applications received by MOF from 25 February 2023 until 31 December 2027. The tax deduction will be given from YA 2023 to YA 2027.



Accelerated Capital Allowance (ACA) of 100% on the qualifying capital expenditure (QCE) and income tax exemption of 100% equivalent to the QCE will be given to companies for chicken rearing in closed house systems, from YA 2023 to YA 2025.

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Extension/Expansion of Current Corporate Income Tax Incentives



Current tax deduction for the employment of senior citizens and ex-convicts (for monthly remuneration not exceeding RM4,000) will be expanded to include inmate and ex-inmate of Henry Gurney School and institutions under the Social Welfare Department, from YA 2023 to YA 2025.



Tax incentives for food production project (tax deduction for investing company / 100% income tax exemption for companies engaging in food production project) will be expanded to include agricultural based projects in Controlled Environment Agriculture (CEA).

The application period have been extended for 3 years and to be received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 until 31 December 2025.



Income tax exemption for BioNexus status companies will be increased from 70% to 100%.

The application period have been extended for 2 years and to be received by the Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

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Extension/Expansion of Current Corporate Income Tax Incentives



ACA 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.

For applications received by MIDA / MAFS from 1 January 2023 until 31 December 2027.



Tax incentive for ship-building and ship-repairing industry (70% income tax exemption / ITA 60% of QCE) will be extended for applications received by MIDA from 1 January 2023 until 31 December 2027.



Tax incentive for aerospace industry (70% or 100% income tax exemption / ITA 60% or 100% of QCE) will be extended for applications received by MIDA from 1 January 2023 until 31 December 2025.

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Stamp Duty



Stamp duty exemption for properties valued not more than RM1 million and 50% remission for the balance of the property's value, for properties transferred between family members, provided the recipient of the property is a Malaysian citizen.

For instrument of transfer of properties executed from 1 April 2023.



Stamp duty of RM10 expanded to include educational loan/scholarship agreement including certificate (educational/skills/professionals) in any educational and training institutions for the instrument executed from 1 June 2023 for all levels of education.



Full exemption of stamp duty on restructuring or rescheduling of loan/financing agreement will be extended from 1 January 2023 until 31 December 2024.

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Indirect Tax



Import duty and sales tax exemption for studio and film production equipment.

For applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.



Excise duty and sales tax exemption on sale, transfer, private use or disposal of individually owned taxis and hired cars expanded to include owners of budget taxis, exclusive taxis, TEKS1M and airport taxis.

For applications received by the Royal Malaysian Customs Department from 1 March 2023.



Full exemption of import duty for locally assembled electric vehicles (EV) and full exemption of excise duty and sales tax on locally assembled Completely Knocked-Down (CKD) EV be extended until 31 December 2027.



Full exemption of import duty and excise duty for imported Completely Built-Up (CBU) EV be extended until 31 December 2025.



Full exemption of import duty and sales tax for Nicotine Replacement Therapy.

For applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.

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Disclaimer:

The information contained in this document is based on current taxation laws and other related legislation, including proposals and measures contained in the 2023 Malaysian Budget announcement on 24 February 2023. Every effort has been made to ensure that the information contained in this leaflet is accurate and based upon our understanding and interpretation of the relevant information obtained from the Budget 2023 Speech, Appendices and relevant sources, and is subject to the issuance of the impending Finance Bill.

24 February 2023

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ZOOM LIVE WEBINAR

TAX & BUDGET WEBINAR

14 March 2023

2.30pm – 5.00pm

Click here to **REGISTER**

Moderator



Freda Liu
Emcee, Host & Author
Business Presenter

2023 Budget Highlights



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