



2023 Budget Highlights

Key Takeaways



1. Review of individual income tax rate and corporate income tax rates
2. Extension of time and expansion of scope for certain tax incentives
3. Proposed introduction of capital gains tax on the sale of unquoted shares
4. Special Voluntary Disclosure Programme from 1 June 2023 to 31 May 2024 by the Inland Revenue Board (IRB) and Royal Malaysian Customs Department (RMCD) with a 100% waiver in penalty

On Friday, 24 February 2023 the Honourable Prime Minister' and Finance Minister, Dato' Seri Anwar bin Ibrahim retabled the National Budget 2023 was based on the new national theme, "Membangun Malaysia Madani" (Developing Malaysia Madani).

The Budget 2023, which is the first step in laying the Malaysia MADANI Development framework, focuses 12 main measures based on three pillars namely:

- First : Inclusive and sustainable economic growth
- Second : Institutional reforms and good governance to restore confidence
- Third : Combating inequality through social justice

The following are highlights of Retabled Budget 2023 by the Prime Minister, Dato' Seri Anwar bin Ibrahim on Friday, 24 February 2023.

The full Budget Speech is available at the following link:-
<https://budget.mof.gov.my/en/budget2023/>



TAX CHANGES

A. INDIVIDUALS

i. Review of Income Tax Rate for Resident Individual

The following changes to the income tax rate for a resident individual has been proposed:

Chargeable income (RM)	Current (%)	Proposed (%)	Change (%)
0 – 5,000	0	0	-
5,001 – 20,000	1	1	-
20,001 – 35,000	3	3	-
35,001 – 50,000	8	6	↓ 2%
50,001 – 70,000	13	11	↓ 2%
70,001 – 100,000	21	19	↓ 2%
100,001 – 250,000	24	25	↑ 1%
250,001 – 400,000	24.5	25	↑ 0.5%
400,001 – 600,000	25	26	↑ 1%
600,001 – 1,000,000	26	28	↑ 2%
1,00,001 – 2,000,000	38	28	-
Over 2,000,000	30	30	-

Effective date: Year of Assessment 2023

ii. Review of Personal Reliefs

Tax Change	Proposed
<p>1. Tax Relief for Medical Treatment Expenses Tax relief is given on medical expenses of up to RM8,000 on the following:</p> <ul style="list-style-type: none"> • Medical expenses for serious disease and fertility treatment for taxpayer, spouse and child; • Vaccination for taxpayer, spouse or child limited to RM1,000; and • Full medical check-up including mental health check-up or consultation, COVID-19 detection test inclusive of the purchase of self-test kit for taxpayer, spouse or child limited to RM1,000. 	<ul style="list-style-type: none"> • To increase tax relief from RM8,000 (maximum) to RM10,000 (maximum) • Expansion of scope to include the intervention expenditure for Autism, Attention Deficit Hyperactivity Disorder (ADHD), Global Development Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities, limited to RM4,000 as below:- <ul style="list-style-type: none"> i. Diagnostic assessment certified by medical practitioner registered with the Malaysian Medical Council (MMC); ii. Early intervention and rehabilitation programmes conducted by health profession practitioners registered under the Allied Health Profession Act 2016. <p>Effective date : Year of Assessment 2023</p>



	Tax Change	Proposed
2.	<p>Tax Relief on Voluntary Contribution to Employees Provident Fund Tax relief is currently given for the following:</p> <ol style="list-style-type: none"> Contribution to approved schemes or voluntary contribution to EPF (not including private retirement scheme) or contribution under any written law Up to RM4,000 Life insurance premium or takaful contribution or voluntary contribution to EPF Up to RM3,000 	<p>To include additional voluntary contribution made to Employees Provident Fund (EPF).</p> <p>This is only applicable to civil servants under the pension scheme.</p> <p>Effective date: Year of Assessment 2023</p>
3.	<p>Tax Relief for Child Care Centre or Kindergarten Fees Tax relief of up to RM3,000 is given to taxpayers who enroll their children aged up to 6 years old in child care centres or kindergartens.</p> <p>This relief is available up to Year of Assessment 2023.</p>	<p>Extension of period for 1 year (i.e up to Year of Assessment 2024).</p>

B) CORPORATE TAX

i. Reduction of Income Tax Rate for Micro, Small and Medium Enterprises

2% reduction in corporate income tax rate from 17% to 15% for Micro, Small and Medium Enterprises for the first RM150,000 of chargeable income from Year of Assessment 2023.

Chargeable income	Current (%)	Proposed (%)	Change (%)
First RM150,000	17%	15%	↓ 2%
RM150,001 to RM600,000	17%	17%	-
RM600,001 and above	24%	24%	-



ii. Tax Deduction on Bursa Malaysia Listing Cost

- a. Tax deduction of up to RM1.5 million on the cost of listing on ACE and LEAP Markets be extended for a period of 3 years; and
- b. Expanded to cover the cost of listing of technology-based companies on the Main Market of Bursa Malaysia.

Effective date: From Year of Assessment 2023 until the Year of Assessment 2025.

iii. Tax Deduction for Sustainable and Responsible Investment (SRI)-Linked Sukuk

Tax deduction on cost of issuing SRI-linked Sukuk that is approved or permitted or deposited with the Securities Commission Malaysia be given for a period of 5 years.

Effective date: From Year of Assessment 2023 until the Year of Assessment 2027.

iv. Special Tax Deduction for Expenditure on Malaysia Handicraft

Special tax deduction of RM150,000 on the purchased of qualified Malaysia-made handicraft products by hoteliers from 1 January 2023 until 31 December 2025.

v. Further Tax Deduction on Remuneration Paid to Juvenile Inmate and Ex-Inmate

Expansion of scope of further deduction to include remuneration paid to inmate and ex-inmate of:-

- Henry Gurney School under Malaysian Prison Department; and
- Protection and rehabilitation institution and care centres registered under the Social Welfare Department.

Effective date: From Year of Assessment 2023 until the Year of Assessment 2025.

vi. Further Tax Deduction for sponsorship of Smart Artificial Intelligence-Driven Reverse Vending Machine

Tax deduction be given on donations or sponsorships of Smart Artificial Intelligence (AI) - Driven Reverse Vending Machine.

Effective date: For contribution/sponsorship and application received by Ministry of Finance from 1 April 2023 until 31 December 2024.

vii. Capital Gains Tax On Unquoted Shares

Possible introduction of Capital Gains Tax on disposal of unquoted shares by companies with effect from year 2024.

C) TAX INCENTIVE

i. Tax Incentive for Rental of Non-Commercial Electric Vehicle (EV)

Tax deduction for rental of non-commercial EV is increased to RM300,000.

Effective date: From Year of Assessment 2023 until the Year of Assessment 2025.



ii. Tax Incentive for Manufacturer of Electric Vehicle (EV) Charging Equipment

- 100% income tax exemption on statutory income from Year of Assessment 2023 until the Year of Assessment 2032;
- Income Tax Allowance (ITA) of 100% for a period of 5 years and set-off against 100% of the statutory income for each year of assessment

Effective date : Applications received by Malaysian Investment Development Authority (MIDA) from 25th February 2023 to 31 December 2025.

iii. Tax Incentives for Carbon Capture and Storage (CCS)

CCS in-house activity	CCS Services
ITA of 100% qualifying capital expenditure for a period of 10 years which can be set-off against up to 100% of statutory business income	ITA of 100% qualifying capital expenditure for a period of 10 years which can be set-off against up to 100% of statutory business income; OR Income tax exemption of 70% on statutory income for a period of 10 years
Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027.	Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027.
Tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operation	

Effective date :

- Applications received by Ministry of Finance from 25th February 2023 to 31 December 2027.
- Tax deduction can be claimed through the Income Tax Return Form from the Year of Assessment 2023 until the Year of Assessment 2027.

iv. Tax Incentive for Chicken Rearing in Closed House System

- 100% accelerated capital allowance on qualifying capital expenditure incurred; and
- Income tax exemption of 100% equivalent to the qualifying capital expenditure

Effective date: From Year of Assessment 2023 until the Year of Assessment 2025.



v. Tax Incentive for Automation in Manufacturing, Service and Agriculture Sector

Accelerated Capital Allowance (ACA) of 100% for automation equipment be enhanced as follows:-

- i. To expand the scope to include the adaption of Industry 4.0 elements;
- ii. To expand the scope of tax incentive to include agriculture sector; and
- iii. Capital expenditure threshold to be aligned and increased up to RM10million.

Applications received by MIDA and Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2027.

D) EXTENSION OF TIME AND/OR EXPANSION OF SCOPE FOR EXISTING TAX INCENTIVES

Tax incentive	Proposal
Existing tax incentive for food production project	<ul style="list-style-type: none"> ▪ Application period of tax incentive be extended for 3 years; and ▪ Expansion of incentive to include agricultural projects based on Controlled Environment Agriculture. <p>Applications received by Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2025.</p>
Existing tax incentives for BIONEXUS status company	<ul style="list-style-type: none"> ▪ Application period of tax incentive be extended for 2 years; and ▪ Income tax exemption on statutory income be increased from 70% to 100% <p>Applications received by Malaysian Bioeconomy Development Corporation from 1 January 2023 to 31 December 2024.</p>
Existing tax incentives for ship building and ship repairing (SBSR) industry	<ul style="list-style-type: none"> ▪ Application period of tax incentive be extended for 5 years. <p>Applications received by MIDA from 1 January 2023 to 31 December 2027.</p>
Existing tax incentive for aerospace companies in Malaysia undertaking high-value activities.	<ul style="list-style-type: none"> ▪ Application period of tax incentive be extended for 3 years. <p>Applications received by MIDA from 1 January 2023 to 31 December 2025.</p>



E) STAMP DUTY

Stamp Duty on Transfer of Property By Way of Love and Affection

Stamp duty on the instruments of transfer of property by way of love and affection between parents and children, grandparents and grandchildren from 1 April 2023 will be as follows:-

- First RM1 million of the property's value – fully exempted;
- Remaining balance of the property's value – subject to ad valorem duty rate and 50% remission given on the stamp duty imposed.

This is only applicable to recipient who are Malaysian citizens.

Effective date : Instrument of transfer of property executed from 1 April 2023.

Stamp Duty for Educational Loan/Scholarship Agreement

Imposition of a fixed duty of RM10 be expanded to include educational loan/scholarship agreement to pursue education at all levels including certificate (education/skills/professionals) in any education and training institutions.

Effective date: For education loan/scholarship agreement executed from 1 June 2023.

Stamp Duty Exemption on Loan Restructuring or Rescheduling

Extension of full stamp duty exemption on agreement for restructuring or rescheduling of loan/financing executed from 1 January 2023 until 31 December 2024.

F) INDIRECT TAX

Excise Duty and Sales Tax Exemption on the Sale or Transfer of Individually Owned Taxis and Hired Cars

- Excise duty and sales tax exemption on sale/transfer/private use/disposal of individually owned taxis and hired cars be expanded and reviewed as follows:-

a. To include the following licenses and services:-

- a. Taxis (budget taxis, executive taxis and TEKS1M);
- b. Airport taxis (budget and family); and
- c. Hire cars.

b. The vehicle age conditions is relaxed to at least 5 years from the date of registration.

Effective date: For application received by the Royal Malaysian Customs Department from 1 March 2023.

Extension of Tax Incentives to Support the Development of Electric Vehicle Industry

- Full import duty and exercise duty exemptions on imported Completely Built-Up (CBU) Electric Vehicles be extended to 31 December 2025.
- Full import duty and sales tax exemption on locally assembled Completely Knocked-Down (CKD) Electric Vehicle be extended to 31.12.2027.
- Full import duty on components for locally assembled Electric Vehicle be extended to 31.12.2027.



- **Import Duty and Sales Tax Exemption on Nicotine Replacement Therapy**

- Import duty and sales tax exemption on nicotine gun and nicotine patch for a period of 3 years. Application must be received by Ministry of Finance (MOF) from 1 January 2023 until 31 December 2026.

- **Imposition of Excise Duty on Gel or Liquid Products Containing Nicotine**

- Excise duty to be imposed on gel or liquid products containing nicotine which are used for electronic cigarettes and vaping.
- Effective date and rate of excise duty have yet to be announced.

G) OTHERS

- **Special Voluntary Disclosure Program (SVDP)**

Penalties will be waived for voluntary disclosure from 1 June 2023 to 31 May 2024 by Inland Revenue Board (IRB) and Royal Malaysian Customs Department (RMCD).

- **Tax Deduction for Contribution Non-Profit Organisations Conducting Sports Development Programmes**

Tax deduction up to 10% of aggregate income be given to individual or corporation on contribution made to non-profit organisations which is undertakes sports development at the foundation level.

- **Charitable Hospital Registered as Company Limited Guarantee**

- i. Charitable hospital registered as company limited by guarantee be given income tax exemption equivalent to the amount of expenses incurred for charitable purposes.
- ii. Tax deduction up to 10% of aggregate income be given to the donor for donations made to charitable hospitals.

- **Tax Deduction for Contributions made to FINAS**

Tax deduction be for contributions made to the Tabung Komuniti Filem dan Pembangunan Kenegaraan under National Film Development Corporation Malaysia (FINAS).

- **Luxury Goods Tax**

It is proposed that luxury goods tax for luxury goods such as luxury branded watches and fashion goods be introduced from year 2023 (date not announced).



ANNOUNCEMENT

2023 BUDGET WEBINAR: DEVELOPING MALAYSIA MADANI

Date : 24th March 2023 (Friday, English)

Time : 8.30am – 5.00pm

Venue : ZOOM (Online)

Fee:

**RM212 (Existing Clients of
ShineWing and UOB)**

RM265 (Members of the Public)

(The Webinar is HRDF claimable)



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