



BUDGET 2023

**MALAYSIA
MADANI**

**PKF E-TAX NEWS
KEY BUDGET TAX HIGHLIGHTS**

**MEMBANGUN
MALAYSIA MADANI**

INTRODUCTION

Budget 2023 : Developing Malaysia MADANI

The revised Budget 2023 which was re-tabled on 24 February 2023 by the Prime Minister and Minister of Finance YAB Dato' Seri Anwar bin Ibrahim is the largest budget on record with an allocation of RM386 billion. The 'Madani Budget' focuses on 12 main pillars of initiatives with the aim of driving an inclusive and sustainable economy, restoring confidence via institutional and governance reforms, and enforcing social justice to combat inequalities.

In this edition of PKF Budget 2023 E-Tax News, we have summarized the key budget highlights from a tax perspective, documenting the tax related proposals and changes as announced in the refreshed Budget 2023, which would be essential for you and your businesses to be informed.

HIGHLIGHTS

- ▶ PG 1
Introduction
- ▶ PG 2 - 3
Individual Tax
- ▶ PG 4 - 5
Corporate Tax and
Tax Administration
- ▶ PG 6 - 9
Tax Incentives /
Stamp Duty
- ▶ PG 10 - 11
Indirect Tax

PKF Malaysia : Budget 2023 Tax Webinar

Do join us at our complimentary half-day **Budget 2023 Tax Webinar** which will be held soon, for a more detailed analysis of the tax implications of Budget 2023.

Please stay tuned for our webinar invites with the confirmed date and time, together with the registration link. As this is a complimentary webinar, please note that slots are limited.



INDIVIDUAL TAX

Individual income tax rate

- It is proposed that the resident individual income tax rate for the chargeable income bands of between
 - RM35,001 to RM100,000 to be reduced by 2%;
 - RM100,001 to RM250,000 to be increased by 1%;
 - RM250,001 to RM400,000 to be increased by 0.5%;
 - RM400,001 to RM600,000 to be increased by 1%; and
 - RM600,001 to RM1,000,000 to be increased by 2%.
- This proposal is effective from year of assessment (YA) 2023.

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



INDIVIDUAL TAX

Tax relief for child care centre or kindergarten fees

- It is proposed that the tax relief up to RM3,000 given on the fees paid to child care centre registered with the Social Welfare Department and kindergarten registered under the Ministry of Education Malaysia to be extended for another year.
- This proposal is extended until YA 2024.

Tax relief for medical treatment expenses for taxpayer, spouse and child

- It is proposed that the tax relief on medical expenses will be increased from RM8,000 to RM10,000. The scope of tax relief to 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, limited to RM4,000.
- This proposal is effective from YA 2023.

Tax relief for voluntary contribution to Employees Provident Fund (EPF)

- It is proposed that the scope of tax relief for life insurance premiums or takaful contribution to be expanded to include voluntary EPF contribution up to RM3,000.
- This proposal is effective from YA 2023.



CORPORATE TAX AND TAX ADMINISTRATION

Proposed introduction of capital gains tax

- It is proposed that capital gains tax be introduced in year 2024. The capital gains tax will be imposed on the gains arising from the disposal of unlisted shares.
- The above proposal is subject to further study by the Government.

Reintroduction of Special Voluntary Disclosure Program (SVDP) by the Inland Revenue Board

- It is proposed that full penalties will be waived for taxpayers who participate in the SVDP between 1 June 2023 to 31 May 2024.

Review of income tax rate for Micro, Small and Medium Enterprises (MSME)

- It is proposed that the tax rate on chargeable income of MSME for the first RM150,000 be reduced by 2% from 17% to 15%. The remaining chargeable income of MSME will be taxed at the following tax rates:
 - Chargeable income on RM150,001 to RM600,000 at 17%
 - Chargeable income on RM600,001 and above at 24%
- This proposal is effective from YA 2023.

Review of tax deduction on cost of listing in Bursa Malaysia

- It is proposed that the existing tax deduction of up to RM1.5 million on the cost of listing on the ACE and LEAP Markets for technology-based companies and MSME to be extended for a period of 3 years.
- Tax deduction is also expanded to cover the cost of listing technology-based companies in BURSA Main Market.
- This proposal is effective from YA 2023 until YA 2025.



CORPORATE TAX AND TAX ADMINISTRATION

Special tax deduction for expenditure on Malaysian-made handicraft

- It is proposed that a special tax deduction, limited to RM150,000, to be given on the costs of Malaysian handicrafts purchased by hoteliers from the local handicraft entrepreneur certified by Perbadanan Kemajuan Kraftangan Malaysia.
- This proposal applies to the costs on qualifying handicraft products incurred from 1 January 2023 until 31 December 2025.

Tax deduction for sponsorship of Smart Artificial Intelligence (AI)-driven reverse vending machine

- It is proposed that a tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be given to companies and non-companies, i.e. individuals, partnerships, trusts and cooperatives with business income that make donations or sponsorships of AI-Driven Reverse Vending Machine.
- This proposal applies to contribution / sponsorship and application received by Ministry of Finance from 1 April 2023 until 31 December 2024.

Expansion of tax deduction for the employment of inmate and ex-inmate of Henry Gurney School and Institutions under the social welfare department

- It is proposed that the scope of the further tax deduction be expanded to include remuneration paid to inmate and ex-inmate of Henry Gurney School under Malaysian Prison Department, protection and rehabilitation institution as well as non-government care centre registered under the Social Welfare Department.
- This proposal is effective from YA 2023 to YA 2025.



TAX INCENTIVES / STAMP DUTY

Stamp duty exemption for transfer of property by way of love and affection

- It is proposed that the stamp duty on instruments of transfer of property between parents and children, as well as grandparents and grandchildren be fully exempted, limited to the first RM1,000,000 of the property's value. The value of property in excess of RM1,000,000 will be imposed with stamp duty at ad-valorem rate and will be given 50% remission. This will apply to recipients of the property who are Malaysian citizens.
- This proposal is applicable to instrument of transfer of property executed from 1 April 2023.

Stamp duty exemption for purchase of residential property by the first-time house buyers

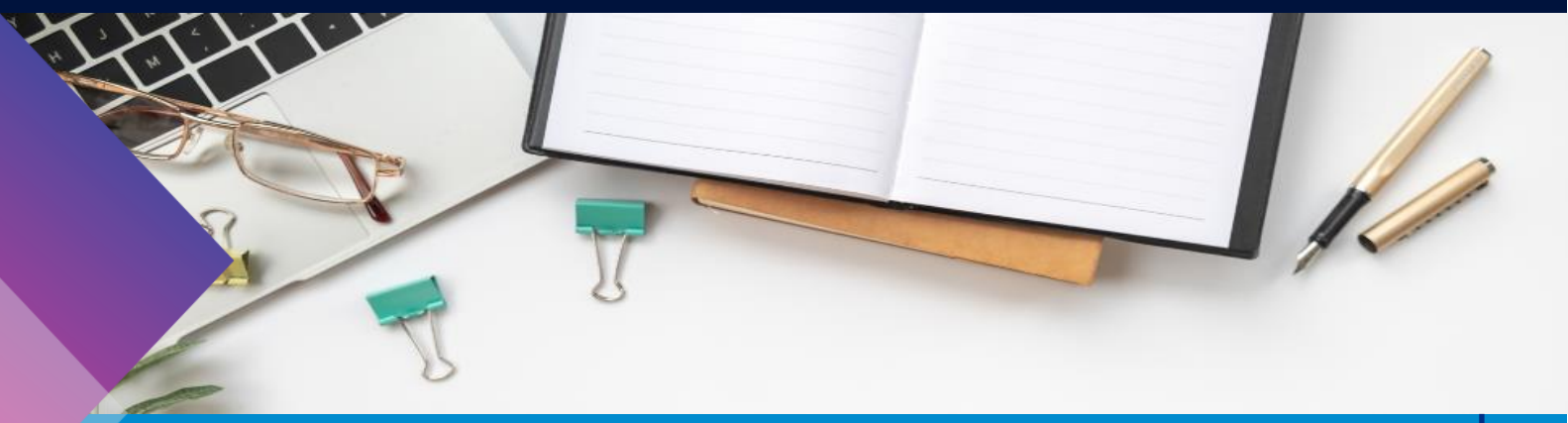
- It is proposed that full stamp duty exemption for purchase of residential property valued at RM500,000 or below as well as 75% stamp duty exemption for purchase of residential property valued between RM500,001 and RM1 million be given to first-time house buyers.

Stamp duty treatment for educational loan/scholarship agreement

- It is proposed that the imposition of a fixed duty of RM10 be expanded to educational loan/scholarship agreement to pursue education at all levels including certificate (education/skills/professionals) in any educational and training institutions.
- This proposal is effective for educational loan/scholarship agreement executed from 1 January 2023.

Extension of stamp duty exemption on restructuring or rescheduling of loan/financing agreement

- It is proposed that the stamp duty exemption on restructuring or rescheduling of the loan/financing agreement be extended for a period of 2 years.
- This proposal is effective for restructuring or rescheduling of loan/financing agreement executed from 1 January 2023 until 31 December 2024.



TAX INCENTIVES / STAMP DUTY

Review of tax incentive for automation in manufacturing, services and agriculture sector

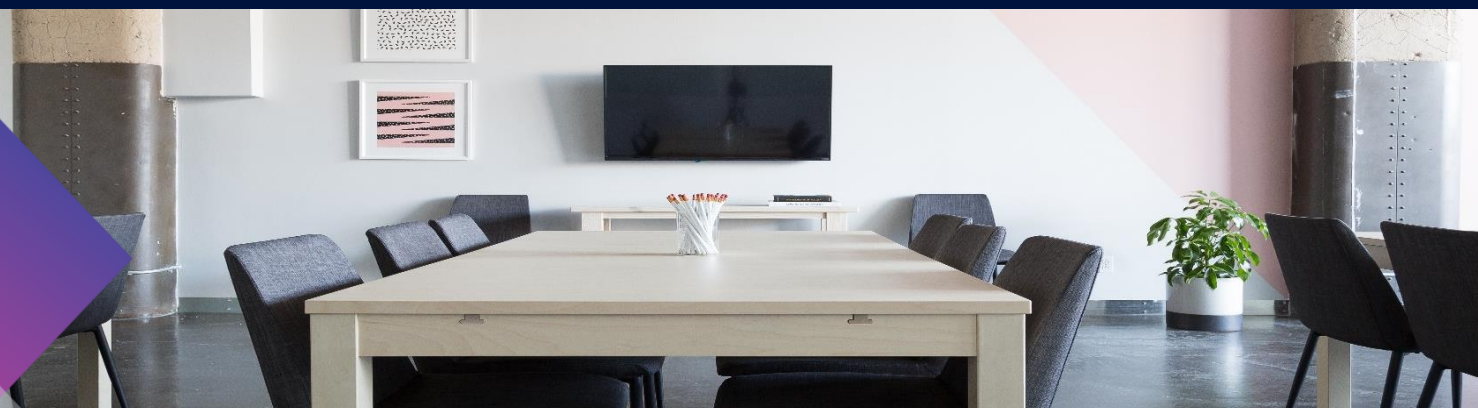
- It is proposed that the accelerated capital allowance (ACA) for automation equipment be enhanced as follows:
 - i. scope of automation to include the adaptation of Industry 4.0 elements;
 - ii. scope of tax incentive is expanded to include agriculture sector; and
 - iii. capital expenditure threshold for the following be aligned and increased to RM10 million.
 - category 1: labor-intensive industry (rubber, plastic, wood and textile products)
 - category 2: industries other than Category 1 including the services sector
 - agriculture
- This proposal is effective for applications received by MIDA and Ministry of Agriculture and Food Industries from 1 January 2023 until 31 December 2027.

Tax incentive for company renting non-commercial Electric Vehicle (EV)

- It is proposed that company renting non-commercial EV is given tax deduction on rental amount up to RM300,000.
- This proposal is effective from YA 2023 to YA 2025.

Tax incentives for manufacturer of EV charging equipment

- It is proposed that the following incentives be given to manufacturer of EV charging equipment:
 - i. income tax exemption of 100% on statutory income from YA 2023 YA 2032. Companies that make early investments are eligible to enjoy tax exemption for a period up to 10 years. Meanwhile, companies that make investments after YA 2023 are eligible to enjoy the remaining exemption period only; or
 - ii. Investment Tax Allowance of 100% for a period of 5 years and can be set-off against up to 100% of the statutory income for each YA.
- This proposal is effective for applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025.



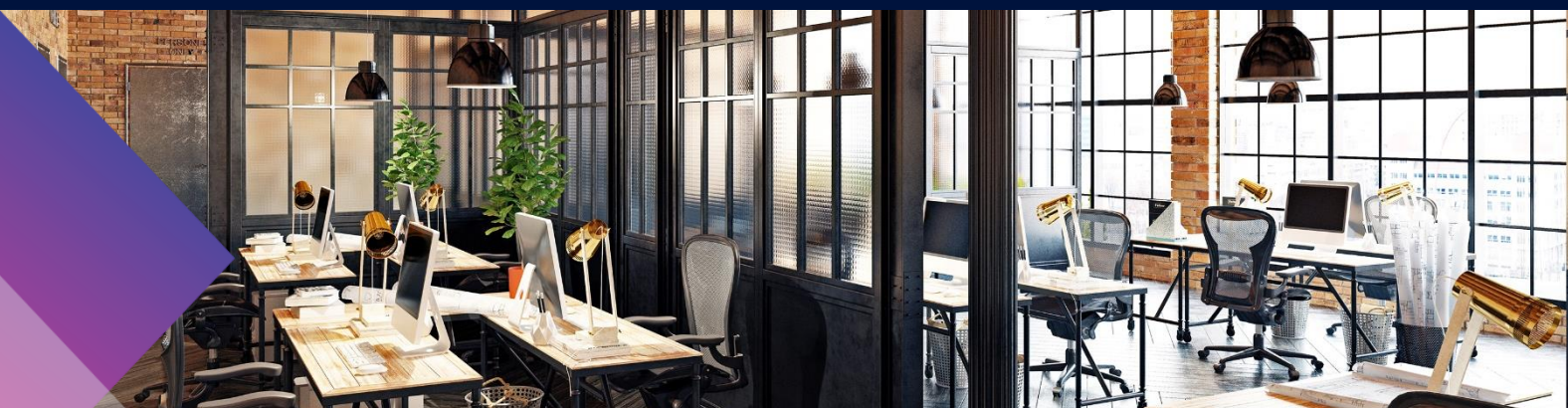
TAX INCENTIVES / STAMP DUTY

Tax incentive for Carbon Capture and Storage (CCS)

- It is proposed that tax incentives be given as follows:
- Companies undertaking CCS in-house activity:
 - i. Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years and can be set-off against up to 100% of business statutory income; and
 - ii. tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operation.
- Companies undertaking CCS services:
 - i. ITA of 100% of qualifying capital expenditure for a period of 10 years and can be set-off against up to 100% of statutory income; or
 - ii. tax exemption of 70% on statutory income for a period of 10 years.
- Tax deduction on fee incurred for the use of CCS services.
- Tax deduction can be claimed through the ITRF from YA 2023 until YA 2027.

Tax incentive for chicken rearing in closed house system

- It is proposed that tax incentives be given as follows:
 - i. ACA 100% on qualifying capital expenditure; and
 - ii. income tax exemption of 100% equivalent to the qualifying capital expenditure.
- These tax incentives are given on the qualifying capital expenditure incurred from YA 2023 until YA 2025. Thus, qualifying capital expenditure that can be claimed amounting to 200% within a year.
- This proposal is effective from YA 2023 to YA 2025.



TAX INCENTIVES / STAMP DUTY

Review of tax incentives for food production project

- It is proposed that tax incentives be reviewed as follows:
 - i. scope of tax incentive is expanded to include agricultural projects based on Controlled Environment Agriculture (CEA); and
 - ii. application period for tax incentives be extended for 3 years.
- This proposal is effective for applications received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 until 31 December 2025.

Review of tax incentives for BioNexus status company

- It is proposed that tax incentives be reviewed as follows:
 - i. income tax exemption on statutory income of BioNexus status company be increased from 70% to 100%; and
 - ii. application period for tax incentives be extended for 2 years.
- This proposal is effective for applications received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

Extension of tax incentive for ship building and ship repairing industry

- It is proposed that tax incentive be extended for a period of 5 years.
- This proposal is effective for applications received by MIDA from 1 January 2023 until 31 December 2027.

Extension of tax incentive for aerospace industry

- It is proposed that tax incentive be extended for a period of 3 years.
- This proposal is effective for applications received by MIDA from 1 January 2023 until 31 December 2025.



INDIRECT TAX

Import duty and sales tax exemption on equipment for Carbon Capture and Storage (CCS) technology

- It is proposed that full import duty and sales tax exemption on equipment for CCS technology be given to companies undertaking CCS in-house activities or services.
- This proposal is effective for applications received by the Ministry of Finance from 25 February 2023 until 31 December 2027.

Extension of import duty exemption for BioNexus status companies

- It is proposed that the existing import duty exemption on raw materials/ components and machinery/ equipment for BioNexus status companies be extended for a period of 2 years.
- This proposal is effective for applications received by the Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

Import duty and sales tax exemption on studio and filming production equipment

- It is proposed that import duty and sales tax exemption on studio and filming production equipment be given to providers of studio equipment, production and post-production services for a period of 3 years.
- This proposal is effective for applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.

Review of excise duty and sales tax exemption on sale or transfer of individually owned taxis and hired cars

- It is proposed that the excise duty and sales tax exemption on sale/ disposal/ transfer/ private use of individually owned taxis and hired cars be expanded to include executive taxis and TEKS1M, and airport taxis (budget, premier and family); and
- The condition of vehicle age is relaxed to at least 5 years from the date of registration.
- This proposal is effective for applications received by the Royal Malaysian Customs Department (RMCD) from 1 March 2023.



INDIRECT TAX

Import duty and sales tax exemption on nicotine replacement therapy items

- It is proposed that import duty and sales tax exemption be given to Nicotine Replacement Therapy (NRT) products which are nicotine gum and nicotine patch, for a period of 3 years.
- This proposal is effective for applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.

Extension of excise duty, import duty and sales tax exemption for locally assembled and imported electric vehicles (EVs)

- It is proposed that tax incentives for EVs be extended as follows:

Tax incentives	Extension of period
Full import duty exemption on components for locally assembled EVs	Until 31 December 2027
Full excise duty and sales tax exemption on locally assembled Completely Knocked-Down (CKD) EVs	Until 31 December 2027
Full import duty and excise duty exemption on imported Completely Built-Up (CBU) EVs	Until 31 December 2025

Implementation of luxury goods tax on luxury products

- It is proposed that luxury goods tax on luxury branded or fashion items be introduced at some time in 2023. *(Rates and implementation date to be announced)*

Imposition of excise duty on electronic cigarettes and vape

- It is proposed that excise duty be imposed on liquids or gel that contain nicotine used in electronic cigarettes and vape. *(Rates and implementation date to be announced)*

Re-introduction of Special Voluntary Disclosure Programme (SVDP) for indirect taxes

- It is proposed that full waiver of penalties will be given by the RMCD to taxpayers for SVDP declarations on indirect taxes made between 1 June 2023 and 31 May 2024.



HOW CAN WE HELP?

Should you have any questions or concerns, our team of department professionals would be pleased to discuss and assist you. Please feel free to contact us:

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