


Budget 2023

Welcome to Budget Adviser, our publication that highlights the various tax measures that were announced in the Budget 2023.

7 October 2022



The Budget 2023, themed “Strengthening Recovery, Facilitating Reforms Towards Sustainable Socio-Economic Resilience of Keluarga Malaysia” was tabled in Parliament on 7th October 2022.

As the nation is recovering from the COVID-19 pandemic, the Budget is set to focus on riding the economic recovery momentum and continuing reforms to enhance socio-economic resilience. With three specific areas: formulating people-centric initiatives; creating a conducive business environment and; creating a more inclusive and sustainable development model to support economic growth, the Budget is deemed to reinforce Malaysia’s recovery.

This Budget Adviser outlines numerous updates on the various existing tax measures, as well as other new tax proposals.

This publication has been prepared based on the Budget 2023 speech and the relevant appendices. Further details of the tax measures will be set out in the Finance Bill, which will be released in due course. An update for this publication will be issued by Grant Thornton once the Finance Bill is available.

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Individual Tax

1. REVIEW OF INDIVIDUAL INCOME TAX RATE

To deal with the high cost of living and to increase the disposable income of individual taxpayers, it is proposed that the income tax rate for resident individuals be reduced by 2% for the chargeable income band of RM50,001 to RM100,000.

For a more progressive tax structure, it is proposed that the income tax rate for resident individuals at the chargeable income band of RM250,001 to RM400,000 be increased by 0.5%.

The current individual tax rate and the tax savings resulting from the proposed reduction of tax rate are as follows:

Chargeable Income [RM]		Current		Proposal		(Tax Savings) / Additional tax
		Tax Rate (%)	Tax Payable [RM]	Tax Rate (%)	Tax Payable [RM]	[RM]
0 - 5,000	First 2,500	0	0	0	0	0
	Next 2,500	0	0	0	0	0
5,001 - 20,000	On 5,000	0	0	0	0	0
	Next 15,000	1	150	1	150	0
20,001 - 35,000	On 20,000	0	150	0	150	0
	Next 15,000	3	450	3	450	0
35,001 - 50,000	On 35,000	8	600	8	600	0
	Next 15,000		1,200		1,200	0
50,001 - 70,000	On 50,000	13	1,800	11	1,800	0
	Next 20,000		2,600		2,200	(400)
70,001 - 100,000	On 70,000	21	4,400	19	4,000	(400)
	Next 30,000		6,300		5,700	(600)
100,001 - 250,000	On 100,000	24	10,700	24	9,700	(1,000)
	Next 150,000		36,000		36,000	0
250,001 - 400,000	On 250,000	24.5	46,700	25	45,700	(1,000)
	Next 150,000		36,750		37,500	750
400,001 - 600,000	On 400,000	25	83,450	25	83,200	(250)
	Next 200,000		50,000		50,000	0
600,001 - 1,000,000	On 600,000	26	133,450	26	133,200	(250)
	Next 400,000		104,000		104,000	0
1,000,001 - 2,000,000	On 1,000,000	28	237,450	28	237,200	(250)
	Next 1,000,000		280,000		280,000	0
2,000,001 and above	On 2,000,000	30	517,450	30	517,200	(250)

Effective date : From year of assessment 2023

Individual Tax

2. REVIEW OF TAX INCENTIVE FOR WOMEN RETURNING TO WORK AFTER A CAREER BREAK

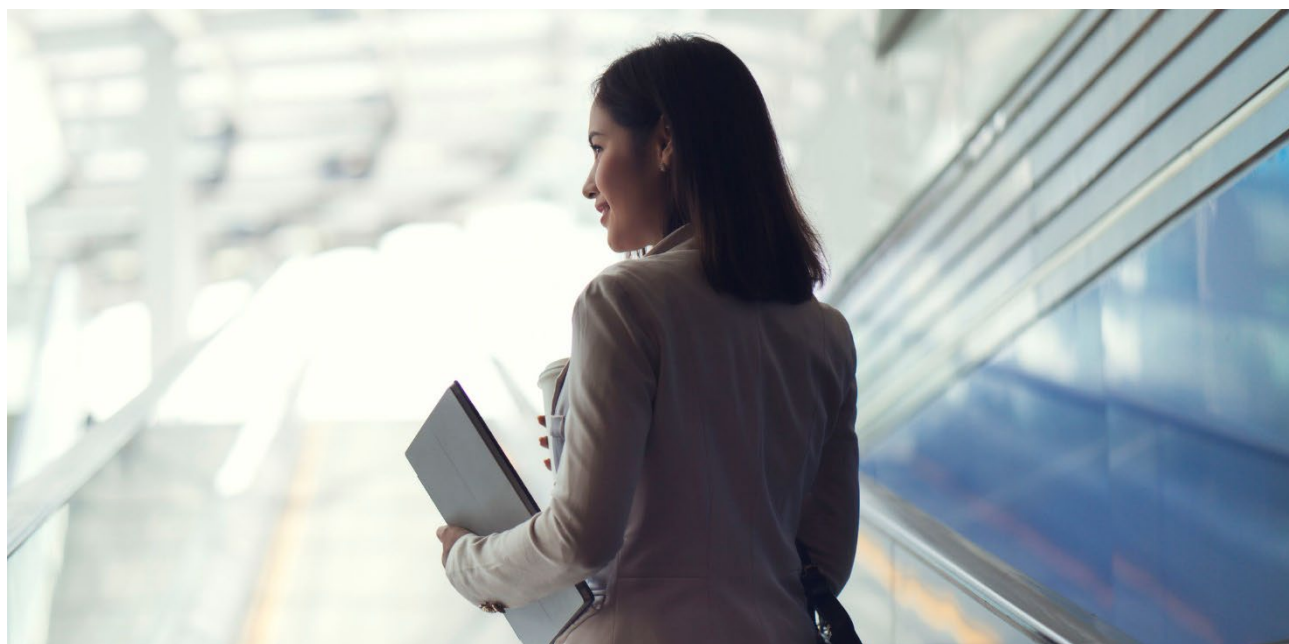
Currently, women who return to work after a career break are given income tax exemption on employment income received for a maximum of 12 consecutive months, subject to condition as follows:

- i. return to work after a career break for a period of at least 2 years on 27 October 2017;
- ii. applications received by Talent Corporation Malaysia Berhad not later than 31 December 2023; and
- iii. tax exemption on employment income received from the year of assessment 2018 to year of assessment 2024.

In order to encourage women to return to work and contribute to the economy, it is proposed that the existing conditions be reviewed as follows:

- i. career break of at least 2 years on the date of application received by Talent Corporation Malaysia Berhad; and
- ii. Tax exemption on employment income received from year of assessment 2023 to year of assessment 2028

Effective date : Applications received by Talent Corporation Malaysia Berhad from
1 January 2023 to 31 December 2027



Corporate Tax

1. REINVESTMENT ALLOWANCE FOR HOTELS AND SELECTED TOURISM PROJECTS

Currently, Reinvestment Allowance (RA) is given to manufacturing and selected agriculture sectors under Schedule 7A, ITA 1967 for expansion, diversification, modernisation and automation activities.

RA is given at 60% on qualifying capital expenditure and set-off against 70% of statutory income for period of 15 consecutive years.

Nevertheless, RA is not given for services sector.

To revive the services sector, in particular the tourism sector which was badly affected by the COVID-19 pandemic, it is proposed that a new schedule for reinvestment in hotels and selected tourism projects under the ITA 1967 be introduced. RA is to be given at 60% on qualifying capital expenditure and to be set-off against 70% of statutory income for a period of 5 consecutive years.

This incentive shall include renovation, expansion and modernisation activities for the following:

- i. 1 to 5-star hotels registered with the Ministry of Tourism, Art and Culture (MOTAC); and
- ii. selected tourism projects namely theme parks and convention centres with a capacity of at least 3,000 participants and registered with the MOTAC.

Effective date : From the year of assessment 2023 to year of assessment 2027

2. REVIEW OF INCOME TAX RATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

Currently, a company or Limited Liability Partnership (LLP) with paid-up capital or capital contribution of not exceeding RM2.5 million and gross business income of not more than RM50 million in a year of assessment is categorized as Micro, Small and Medium Enterprises (MSME). A MSME's chargeable income is taxed at a rate of 17% for the first RM600,000 and the remaining chargeable income is taxed at a rate of 24%.

To increase the competitiveness of MSME and promote economic growth, it is proposed that the tax rate for the first RM100,000 chargeable income be reduced by 2% (from 17% to 15%), and the tax rates for the remaining chargeable income be maintained at 17% and 24% as follows:

Chargeable Income	Tax Rate
First RM100,000	15%
RM100,001 to RM600,000	17%
RM600,001 and above	24%

Effective date : From year of assessment 2023

Corporate Tax

3. REVIEW OF TAX DEDUCTION ON COST OF LISTING IN BURSA MALAYSIA

Currently, tax deduction of up to RM1.5 million for 3 years of assessment from 2020 to 2022 is given on expenses incurred by technology-based companies for listing on the Access, Certainty, Efficiency (ACE) Market and the Leading Entrepreneur Accelerator Platform (LEAP) Market for the following expenses:

- i. fees to authorities;
- ii. professional fees; and
- iii. underwriting, placement and brokerage fees

To further encourage more technology-based companies to expand their businesses by increasing their capital funds through listing on Bursa Malaysia, it is proposed that:

- i. the existing tax deduction of up to RM1.5 million on the cost of listing on the ACE and LEAP Markets be extended for a period of 3 years; and
- ii. this tax deduction is also expanded to cover the cost of listing technology-based companies on Bursa Main Market.

Effective date : From year of assessment 2023 to year of assessment 2025

4. SPECIAL TAX DEDUCTION FOR EXPENDITURE INCURRED BY THE HOTEL INDUSTRY FOR MADE-IN-MALAYSIA HANDICRAFT

Currently, the hotel industry is recognised for its ability to promote the use of local handicraft products such as songket, ceramics and wood-based products in hotel premises.

Existing tax treatments for the hotel industry are as follows:

- Initial purchase of assets are given capital allowance under Schedule 3 of the Income Tax Act 1967
- Subsequent purchase of assets of less than RM2,000 for replacement purpose are given tax deduction under Section 33 of the Income Tax Act 1967.

To encourage the hotel industry to use Made-In-Malaysia handicrafts as a way to assist the recovery of the local handicraft industry, it is proposed that a special tax deduction be given to hotels for the purchase of qualifying Malaysian-made handicraft products from handicraft entrepreneurs certified by the Malaysian Handicraft Development Corporation. The special deduction is for expenditure incurred up to RM500,000.

Effective date : For eligible expenditure on handicraft products incurred from 1 January 2023 to 31 December 2023

Corporate Tax

5. TAX DEDUCTION FOR SPONSORSHIP OF SMART ARTIFICIAL INTELLIGENCE (AI)-DRIVEN REVERSE VENDING MACHINE

Currently, tax deduction under Section 34(6)(h) of the Income Tax Act 1967 (ITA) can be given to any party/person who carries out community projects that provide significant benefits to the public in Malaysia related to the fields of education, health, housing, infrastructure, information technology and communication projects to increase the income of the poor as well as environmental preservation/conservation projects. Approval criteria include:

- i. projects benefiting only the public in Malaysia without having any interest to contributors; and
- ii. projects that are voluntarily contributed and are not required by the authorities under any regulation.

To support the recycling of plastic waste as an economic resource and to ensure the collected-for-recycling rate can be increased through a more effective and organised plastic waste collection programme, it is proposed that tax deduction under Section 34(6)(h) of the ITA be given to companies and other than companies (individuals, partnerships, trusts and cooperatives that have business income) that make donations or sponsorships of AI - Driven Reverse Vending Machine.

Effective date : Contribution/sponsorship and application received by the Ministry of Finance from 1 January 2023 to 31 December 2024

6. TAX DEDUCTION ON ISSUANCE COST OF SUSTAINABLE AND RESPONSIBLE INVESTMENT LINKED SUKUK

The Securities Commission of Malaysia has introduced the framework on Sustainable and Responsible Investment (SRI) Sukuk which enables fundraising by companies through financing to improve sustainability practices and supporting the transition to low carbon activities.

The framework on SRI-linked Sukuk aims to address a wider range of financing needs for companies at different stages of their sustainability journey, providing companies with opportunities for transition to net zero carbon targets and further meet the Government's desire to achieve net zero carbon emissions target by 2050.

To provide an innovative Shariah-compliant financing and place Malaysia as a regional hub of SRI-linked Sukuk issuance, it is proposed that tax deduction on the 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 to year of assessment 2027

Corporate Tax

7. CONTRIBUTIONS TO LOCAL CREATIVE INDUSTRIES

To support industry players producing high-quality creative contents, it is proposed that tax deduction of up to 10% of the aggregate income be given for the contributions made to the Film Community and Nationhood Film Development Fund under the National Film Development Corporation of Malaysia (FINAS).

Effective date : Further clarifications required on the conditions for the tax deduction

8. PASUKAN PETUGAS KHAS PEMUDAHCARA PERNIAGAAN (PEMUDAH) PLATFORM

The Ministry of Finance will address the issues raised by private sectors in the PEMUDAH platform with the implementation of the following:

- i. allow a maximum of 20 years to utilise the accumulated losses that was not utilised by companies in sectors that have a long gestation period, such as forest plantations and hydroelectric projects;
- ii. to include intangible assets such as software as part of the definition of “plant” under Schedule 3 of the Income Tax Act 1967;
- iii. charitable hospitals registered as Companies Limited by Guarantee be given income tax exemption equivalent to the amount of charitable expenditure incurred. Donors be given tax deduction of up to 10% of the aggregate income under Section 44(11C) of the Income Tax Act 1967; and
- iv. taxpayers to make tax payments electronically starting from year of assessment 2024.



Corporate Tax

9. TAX DEDUCTION FOR RENTAL OF ELECTRIC VEHICLE (EV)

Currently, the rental of non-commercial motor vehicles, including EV are given tax deduction under Section 39(1)(k) of the Income Tax Act 1967 as follows:

- i. cost of vehicle not exceeding RM150,000, the maximum rental amount allowed for tax deduction is limited to RM100,000; and
- ii. cost of vehicle exceeding RM150,000, the maximum rental amount allowed for tax deduction is limited to RM50,000.

To encourage utilisation of low-carbon vehicles, it is proposed that a maximum rental amount of EV allowed for tax deduction is limited to RM300,000.

Effective date : From year of assessment 2023 to year of assessment 2025

10. TAX DEDUCTION ON CONTRIBUTIONS MADE TO THE TREATMENT OF RARE DISEASES TRUST FUND

The government will establish a Trust Fund for the Treatment of Rare Diseases and requires public donation.

To encourage more donations from the public, it is proposed that contributions made to the trust fund will be given a tax deduction equivalent to the actual contributions made.

Effective date : Further clarifications required for the tax deduction



Tax Incentive

1. TAX INCENTIVE FOR MANUFACTURERS OF ELECTRIC VEHICLE (EV) CHARGING EQUIPMENT

Currently, Malaysia is actively promoting electric mobility ecosystem in line with the National Automotive Policy 2020 and the Low Carbon Mobility Blueprint 2021 - 2030. To widen the infrastructure of EV charging equipment, it is vital to ensure that the product can be manufactured locally at competitive cost.

To further complement the EV ecosystem and to attract immediate high-value investment in the manufacturing of EV charging equipment, it is proposed that tax incentives be given as follows:

- i. 100% tax exemption on statutory income from the year of assessment 2023 to the year of assessment 2032. Companies that make early investments are eligible to enjoy the tax exemption for a period up to 10 years. Meanwhile, companies that make investments after the year of assessment 2023 are eligible to enjoy the incentive for the remaining exemption period only;
- ii. Investment Tax Allowance 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 the Malaysian Investment Development Authority (MIDA) from 8 October 2022 to 31 December 2025



Tax Incentive

2. TAX INCENTIVES FOR CARBON CAPTURE AND STORAGE

The Government has identified an initiative to control the emission of carbon dioxide (CO₂) using Carbon Capture and Storage technology (CCS). The oil and gas and power generation industries are identified as pioneer industries which use CCS technology in Malaysia. This technology comprises of 3 activities as follows:

- i. carbon capture;
- ii. transportation of captured CO₂; and
- iii. underground or sea bed carbon storage.

To recognise CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emission, it is proposed that tax incentives be given as follows:

- i. companies undertaking CCS in-house activity
 - a. Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years and set-off up to 100% of business statutory income; and
 - b. tax deduction for allowable pre-commencement expenses within 5 years prior to the date of commencement of operation.
- ii. companies undertaking CCS services
 - a. ITA of 100% of qualifying capital expenditure for a period of 10 years and set-off up to 100% of statutory income; or
 - b. tax exemption of 70% on statutory income for a period of 10 years.
- iii. companies engaging CCS services be given tax deduction on fees incurred for use of CCS services.

Effective date :

- i. Application received by the Ministry of Finance from 1 January 2023 to 31 December 2027
- ii. Tax deduction can be claimed from the year of assessment 2023 to the year of assessment 2027

Tax Incentive

3. REVIEW OF TAX INCENTIVE FOR EQUITY CROWDFUNDING

Currently, individual investors who invest in equity crowdfunding are eligible for tax exemption on aggregate income equivalent to 50% of the amount invested subject to the conditions as follows:

- i. the eligible amount for tax exemption is limited to RM50,000 for each year of assessment;
- ii. the deductible amount is limited to 10% of the aggregate income for that year of assessment. The excess amount will be disregarded;
- iii. the investor, investee company and amount of investment made must be verified by the Securities Commission Malaysia;
- iv. the investor must not have any family relationship with the investee company;
- v. investment must be made through equity crowdfunding platform approved by the Securities Commission Malaysia; and
- vi. the investment is not allowed to be disposed within 2 years from the date of investment.

The tax incentive is for investment made from 1 January 2021 to 31 December 2023.

In order to attract more individual investors to invest in start-up companies through equity crowdfunding, it is proposed that the tax incentive be extended for another 3 years and expanded to include investments made by individual investors through Limited Liability Partnership nominee company.

Effective date : Investment made from 1 January 2024 to 31 December 2026

4. TAX INCENTIVE FOR TOUR OPERATORS

Currently, tour operators are given tax exemption of 100% on statutory income derived from the business of operating tour packages within Malaysia with participation of at least 200 local tourists per year and with no minimum requirement on inbound tourists for the year of assessment 2021 and 2022.

To boost tourism activities in Malaysia during the transition phase to endemic, it is proposed that the tax incentive conditions be reviewed as follows:

- i. tourism packages within Malaysia with participation of at least 400 local tourists per year; or
- ii. tourism packages to Malaysia with participation of at least 200 inbound tourists per year; and
- iii. tax incentive is extended for a year.

Effective date : Year of assessment 2023

Tax Incentive

5. TAX INCENTIVE FOR CHICKEN REARING IN CLOSED HOUSE SYSTEM

In Budget 2003, Reinvestment Allowance (RA) for a period of 15 consecutive years was given to chicken and duck rearers who shifted from opened house system to closed house system. This incentive was expanded to cover expansion projects from year of assessment 2009. This RA was given until year of assessment 2010.

To encourage more chicken rearers to adopt environmental-friendly closed house system, it is proposed that tax incentives be given as follows:

- i. Accelerated Capital Allowance of 100% on the qualifying capital expenditure; and
- ii. income tax exemption of 100% equivalent to the qualifying capital expenditure.

Tax incentives are given on the qualifying capital expenditure incurred from year of assessment 2023 until year of assessment 2025.

Effective date : From year of assessment 2023 to year of assessment 2025

6. TAX INCENTIVES FOR SHIP BUILDING AND SHIP REPAIRING INDUSTRY

Currently, companies undertaking ship building and ship repairing (SBSR) activities in Malaysia are eligible for tax incentives as follows:

- i. new company
 - a. Pioneer Status with income tax exemption of 70% of statutory income for a period of 5 years; or
 - b. Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure incurred within 5 years and set-off against 70% of the statutory income for each year of assessment.
- ii. existing company

ITA of 60% on qualifying capital expenditure incurred within 5 years and set-off against 70% of the statutory income for each year of assessment.

The tax incentive for SBSR is for applications made to and received by the Malaysian Investment Development Authority (MIDA) from 1 January 2020 until 31 December 2022.

To position Malaysia as a regional hub for SBSR, it is proposed existing tax incentive be extended for a period of 5 years.

Effective date : SBSR applications received by MIDA from 1 January 2023 to 31 December 2027

Tax Incentive

7. REVIEW OF TAX INCENTIVE FOR AUTOMATION IN MANUFACTURING AND SERVICES SECTORS

Currently, manufacturing and services companies which incur qualifying capital expenditure on automation equipment are given tax incentives as follows:

- i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products)
Accelerated Capital Allowance (ACA) of 100% for automation equipment on the first RM4 million qualifying capital expenditure incurred.
- ii. Category 2: Industries other than Category 1 including the services sector
ACA of 100% for automation equipment on the first RM2 million qualifying capital expenditure incurred.

Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) until 31 December 2023.

To further drive the productivity and improve efficiency through automation, it is proposed that the 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 categories 1, 2 and agriculture be aligned and increased up to RM10 million.

Effective date : Applications received by MIDA and Ministry of Agriculture and Food Industries from 1 January 2023 to 31 December 2027

Tax Incentive

8. TAX INCENTIVES FOR AEROSPACE INDUSTRY

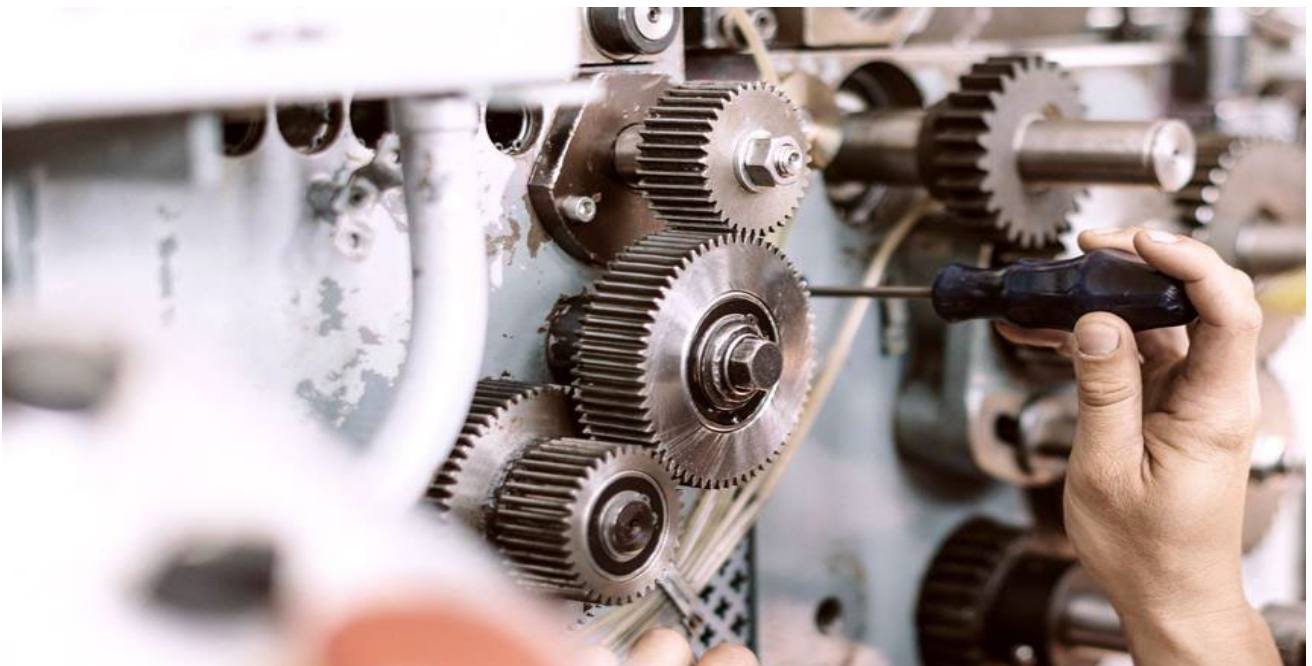
Currently, the new and existing aerospace companies in Malaysia undertaking high-value activities such as manufacturing or assemble of systems, devices, parts or components and maintenance, repair and overhaul for aircraft (MRO), systems, devices, parts or components and engineering & design/services related are given tax incentives as follows:

- i. new company
 - a. income tax exemption of 70% to 100% for a period between 5 to 10 years; or
 - b. Investment Tax Allowance of 60% to 100% for a period of 5 years and set-off against 70% to 100% of statutory income for each year of assessment.
- ii. existing company
 - Investment Tax Allowance of 60% for a period of 5 years and set-off against 70% of statutory income for each year of assessment.

The applications has to be received by the Malaysian Investment Development Authority (MIDA) until 31 December 2022.

In line with the 12th Malaysia Plan to transform Malaysia as a regional key player in the aerospace industry, it is proposed tax incentive be extended for a period of 3 years.

Effective date : Applications received by MIDA from 1 January 2023 to 31 December 2025



Indirect Tax

1. IMPORT DUTY AND SALES TAX EXEMPTION ON STUDIO AND FILMING PRODUCTION EQUIPMENT

To encourage industry players to produce high-quality creative content for the domestic and international markets as well as to attract foreign producers to film in Malaysia, it is proposed that import duty and sales tax exemption on studio and filming production equipment be given to providers of equipment and production services including post-production, studio and cinema for a period of 2 years.

Effective date : Application received by the Ministry of Finance from 1 January 2023 to 31 December 2024

2. EXCISE DUTY EXEMPTION ON TOURISM VEHICLES

Previously, 50% excise duty exemption was given to tourism operators on the purchase of new locally assembled tourism vehicles from 1 January 2020 to 31 December 2021.

To support the recovery of tourism industry that has been affected by COVID-19 pandemic, it is proposed that 50% excise duty exemption be given on the purchase of new locally assembled tourism vehicles as follows:

- i. hire and drive cars for tourists; and
- ii. excursion bus.

Effective date : Application received by the Ministry of Finance from 1 January 2023 to 31 December 2024

3. IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY (NRT)

Currently, there are 2 NRT products in the market that are subjected to import duty and sales tax as follows:

Product	Tariff Code	Import Duty	Sales Tax
Nicotine Gum	2404.91.1000	15%	5%
Nicotine Patch	2404.92.1000	0%	10%

To support the mQuit Programme and encourage the use of NRT products as a medical treatment option to quit smoking, it is proposed that import duty and sales tax exemption be given on the above NRT products for a period of 5 years.

Effective date : Application received by the Ministry of Finance from 1 January 2023 to 31 December 2027

Indirect Tax

4. SERVICE TAX EXEMPTION ON DIGITAL SERVICES RELATED TO BANKING/FINANCIAL SERVICES

Effective from 1 January 2020, digital services related to banking/financial services provided by local financial institutions/banks licensed under Financial Services Act 2013, Islamic Financial Services Act 2013, Labuan Financial Services and Securities Act 2010, Labuan Islamic Financial Services and Securities Act 2010, Development Financial Institutions Act 2002 or any qualified service provider is exempted from service tax.

In order to streamline the tax treatment on digital services related to banking/financial services by local non-bank digital payment service providers, it is proposed service tax exemption be given to:

- i. recipients of digital payment services; and
- ii. local non-bank digital payment service providers as below:
 - a. payment instrument issuers
 - b. merchant acquirers
 - c. payment system operators

The expiry date for the existing service tax exemption given to local financial institutions/banks to be streamlined with the exemption period for the local non-bank service providers.

Effective date :

- i. From 1 August 2022 to 31 July 2025 for local non-bank digital payment service providers
- ii. From 1 January 2020 to 31 July 2025 for local financial institutions/banks and any qualified service providers

5. IMPORT DUTY AND SALES TAX EXEMPTION FOR SHIP BUILDING AND SHIP REPAIRING INDUSTRY (SBSR)

Currently, companies undertaking SBSR activities with bona fide status are eligible for import duty and sales tax exemption under Item 53, Customs Duties (Exemption) Order 2017 and Item 44, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018. These exemptions are given for bona fide status application received by the Ministry of Finance until 31 December 2022.

To position Malaysia as a regional hub for SBSR, it is proposed that the bona fide status be extended for a period of 5 years.

Effective date : Bona fide status applications received by the Ministry of Finance from 1 January 2023 to 31 December 2027

Indirect Tax

6. IMPORT DUTY AND SALES TAX EXEMPTION ON EQUIPMENT FOR CARBON CAPTURE AND STORAGE (CCS) TECHNOLOGY

The Government has identified an initiative to control the emission of carbon dioxide (CO₂) using CCS. The oil and gas and power generation industries are identified as pioneer industries which use CCS technology in Malaysia. This technology comprises of 3 activities as follows:

- i. carbon capture;
- ii. transportation of captured CO₂; and
- iii. underground or sea bed carbon storage.

To recognize CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emission, it is proposed that:

- a. a full import duty and sales tax exemption on equipment for CCS technology commencing from 1 January 2023 to 31 December 2027 for companies undertaking CCS in-house activity
- b. a full import duty and sales tax exemption on equipment for CCS technology starting from 1 January 2023 to 31 December 2027 for companies undertaking CCS services

Effective date : Application received by the Ministry of Finance from 1 January 2023 to 31 December 2027



International Tax

1. IMPLEMENTATION OF GLOBAL MINIMUM TAX

On 3 June 2022, the Ministry of Finance published a Pre-Budget Statement which included an announcement that the Malaysian Government and the Organisation for Economic Co-operation and Development (OECD) were discussing the implementation of the OECD's BEPS 2.0 Two-Pillar approach in Malaysia. The OECD's two-pillar solution aims to address profit shifting and tax base erosion caused by tax avoidance practices, as well as challenges posed by the increasing digitalization of the global economy.

The 2 Pillars are as follows:

- Pillar One seeks to re-allocate the taxing rights over part of the profits of multinational groups with annual turnovers exceeding € 20 billion and profits exceeding 10%, to the jurisdictions in which their customers are located, i.e. market jurisdictions.
- Pillar Two introduces a new Global Minimum Tax (GMT) at a rate of 15% for multinational corporations (MNCs) with a turnover of more than €750 million in at least two of the four immediately preceding fiscal years. This minimum rate will apply in each jurisdiction in which the MNC operates and is calculated based on profits and taxes paid. If a MNC's excess profits (as calculated based on GloBE principles) in a jurisdiction are taxed below the minimum 15% rate, a top-up tax will be imposed.

Malaysia, as a member of the OECD's Inclusive Framework is expected to adopt and implement the GMT as recommended under Pillar Two and implement the Qualified Domestic Minimum Top-up Tax upon completion of a detailed study. The target for implementation is 2024. This will enable Malaysia to broaden its tax base while remaining competitive in attracting foreign direct investment.



Stamp Duty

1. STAMP DUTY ON TRANSFER OF PROPERTY BY WAY OF LOVE AND AFFECTION

Effective from 1 January 2019, the stamp duty rate on the instrument of transfer of property are as follows:

Sale Price/Market Value of Property (whichever is higher)	Stamp Duty Rate
First RM100,000	1%
Next RM100,001 to RM500,000	2%
Next RM500,001 to RM1,000,000	3%
Next RM1,000,001 and above	4%

A full exemption of stamp duty is given on the instrument of transfer of property executed between husband and wife. A remission of 50% stamp duty is given on the instrument of transfer of property executed between parents and children of Malaysian citizenship.

In order to streamline the treatment of stamp duty for the transfer of property ownership by way of love and affection, it is proposed that the instruments of transfer of property between husband and wife, parents and children, as well as grandparents and grandchildren be imposed a fixed duty of RM10 on the condition that the recipient of the property is a Malaysian citizen.

Effective date : Instrument of transfer of property executed from 1 January 2023

2. STAMP DUTY FOR EDUCATIONAL LOAN/SCHOLARSHIP AGREEMENT

Currently, stamp duty at a fixed duty of RM10 is charged on educational loan/scholarship agreement to pursue tertiary education level (diploma and above) at higher learning institutions pursuant to Item 22(4) of the First Schedule, Stamp Act 1949, whilst for other levels are charged at ad valorem rate.

In order to streamline the stamp duty treatment for all levels of education, it is proposed the 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 educational and training institutions.

Effective date : Educational loan/scholarship agreement executed from 1 January 2023

Stamp Duty

3. STAMP DUTY EXEMPTION FOR THE PURCHASE OF RESIDENTIAL HOME

It is proposed that the 50% stamp duty exemption given on the instrument of transfers and loan agreements for residential properties priced between RM500,000 and RM1 million be increased to 75% and effective until 31 December 2023.

4. IMPLEMENTATION OF ONLINE STAMP ASSESSMENT AND PAYMENT SYSTEM

It is proposed that the process of documents stamping and stamp duty payment to the Inland Revenue Board will be entirely online through the Stamp Assessment and Payment System by 2024.



Others

1. IMPLEMENTATION OF E-INVOICING

e-Invoicing will be implemented in stages starting in year 2023 with system development and pilot project on selected taxpayers.

2. TAX IDENTIFICATION NUMBER (TIN)

Tax Identification Number (TIN) has been implemented in year 2022. Effective from year 2023, individual citizens and permanent residents of age 18 will be allocated with a TIN automatically. It is mandatory to use TIN for all stamping of documents and instruments.



Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
1. Tax relief on net savings in the Skim Simpanan Pendidikan Nasional (maximum RM8,000)	YA 2023 to YA 2024	Not applicable
2. Tax relief for takaful contribution and life insurance payments (maximum RM3,000)	Not applicable	<ul style="list-style-type: none"> To include voluntary contributions made to the Employees Provident Fund (EPF) by the self-employed Effective date : From YA 2023
3. Tax relief (maximum RM8,000) for medical expenses for taxpayer, spouse and children on serious diseases [including RM1,000 (max) for medical examination expenses and RM1,000 (max) for vaccination expenses]	Not applicable	<ul style="list-style-type: none"> To include dental examination and treatment expenses of up to RM1,000. The dental practitioner must be registered with the Malaysian Dental Council To include COVID-19 tests conducted at a health facility listed in the “List of Laboratories Conducting RT-PCR Test for COVID-19” issued by the Ministry of Health Malaysia. Effective date : From YA 2023
4. Tax relief for child care centres or kindergarten expenses (maximum RM3,000)	YA 2024	Not applicable
5. Income tax at a flat rate of 15% for non-citizen individuals holding key positions in companies investing in new strategic investments	31 December 2024	Not applicable

Summary of Extension of Time and Expansion of Scope

CORPORATE TAX

Description	Extension of Time	Expansion of Scope
1. Double deduction for employers on remuneration paid to senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents	Not applicable	<ul style="list-style-type: none"> To include remuneration paid to inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department; as well as shelters, rehabilitation institutions and care centres registered under the Social Welfare Department <p>Effective date : From YA 2023 to YA 2025</p>

TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
1. Tax incentives for food production project	A period of 3 years	<p>To include agriculture based projects on Controlled Environment Agriculture (CEA)</p> <p>Effective date : Application received by the Ministry of Agriculture and Food Industries (MAFI) from 1 January 2023 to 31 December 2025</p>
2. 100% income tax exemption up to 10 years on qualifying intellectual property income derived from patent and copyright software of qualifying activities. The computation of the income tax exemption is based on the <i>modified nexus</i> approach to ensure that only income derived from IP developed in Malaysia is eligible for this tax incentive	A period of 3 years	<p>Effective date : Applications received by MIDA from 1 January 2023 to 31 December 2025</p>
3. Extension of tax incentive for principal hub 3.0	A period of 3 years	<p>Effective date : Application received by MIDA from 1 January 2023 until 31 December 2025</p>
4. Extension of tax incentive for global trading centre	A period of 3 years	<p>Effective date : Application received by MIDA from 1 January 2023 until 31 December 2025</p>
5. Tax incentive for angel investor	A period of 3 years	<p>Effective date : Applications received by Ministry of Finance from 1 January 2024 to 31 December 2026</p>

Summary of Extension of Time and Expansion of Scope

TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
6. Review and extension of tax incentives for BioNexus status company	A period of 2 years	Income tax exemption on statutory income be increased from 70% to 100% Effective date : Application received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024
7. Private healthcare companies which provide healthcare services to foreign patients either in Malaysia or from Malaysia are eligible for income tax exemption equivalent to 100% of increased value in exports of services and set-off against 70% of the statutory income, subject to certain conditions.	YA 2023 to YA 2025	Not applicable
8. Companies that provide private healthcare services to qualified healthcare travellers and are engaged in expansion, modernisation or refurbishment of healthcare facilities are eligible for Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years and set-off against 100% of statutory income	A period of 3 years	Effective date : Applications received by MIDA from 1 January 2023 to 31 December 2025
9. Tax incentive for pharmaceutical companies involved in development and manufacturing of pharmaceutical products, in particular vaccines <ul style="list-style-type: none"> Income tax rate of 0% up to 10% for the first 10 years; and Income tax rate of 10% for the subsequent 10 years 	A period of 3 years	Effective date : Applications received by MIDA from 1 January 2023 to 31 December 2025

Summary of Extension of Time and Expansion of Scope

TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
10. Tax incentives for qualifying green assets under Green Investment Tax Allowance (GITA) and green services under Green Investment Tax Exemption (GITE)	Extended from 3 years to 5 years for selected project	<p>Qualifying green activities under GITA and GITE be reviewed based on tiering approach as follows:</p> <ul style="list-style-type: none"> i. Investment Tax Allowance (ITA) of 60% for solar activity; and ii. ITA of 100% for activity other than solar including Battery Energy Storage System (BESS) <p>Details are appended in the table below.</p> <p>Effective date : Application received by Malaysian Investment Development Authority from 1 January 2024 to 31 December 2025</p>

Incentives	Tier 1	Tier 2
GITA	Qualifying activities other than solar and solar + BESS	Qualifying activities related to solar
	<p>Project and Green Building ITA of 100% on capital expenditure for qualifying green activities for a period of 5 years. This allowance can be set off against 70% of statutory income</p> <p>Asset ITA of 100% on capital expenditure for a period of 5 years. This allowance can be set off against 70% of statutory income.</p>	<p>Asset and Project ITA of 60% on capital expenditure for qualifying green activities for a period of 3 years. This allowance can be set-off against 70% of statutory income.</p>
GITE	Qualifying services other than solar and solar + BESS services	Qualifying services related to solar
	Income tax exemption of 70% on statutory income for qualifying green services for a period of 5 years of assessment	Income tax exemption of 70% on statutory income for qualifying green services for a period of 3 years of assessment
	<p>Solar leasing: Income tax exemption of 70% on statutory income for a period of up to 10 years</p>	

Summary of Extension of Time and Expansion of Scope

INDIRECT TAX

Description	Extension of Time	Expansion of Scope
1. Excise duty and sales tax exemption for taxi and hire car owners	Not applicable	<ul style="list-style-type: none"> To include: <ol style="list-style-type: none"> executive taxis and TEKS1M; and airport taxis (budget, premier and family). The vehicle age condition is relaxed to at least 5 years from the date of registration. <p>Effective date : Application received by the Royal Malaysian Customs Department from 1 January 2023</p>
2. Full exemption of import duty and excise duty on imported Completely-Built-Up (CBU) Electric Vehicles	31 December 2024	Not applicable
3. Sales tax exemption for the purchase of locally assembled bus	31 December 2024	<p>Effective date : Application received by the Ministry of Finance from 1 January 2023 to 31 December 2024</p>

STAMP DUTY

Description	Extension of Time	Expansion of Scope
1. Stamp duty exemption on restructuring or rescheduling of loan/financing agreement	31 December 2024	Not applicable

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- Tax Training & Seminar
- Employment Permit & Professional Pass Applications

Tax Seminar on Budget 2023



Kuala Lumpur

26 October 2022, Wednesday
8.45am - 5.00pm
CCEC @ The Vertical (VE Hotel)
Bangsar South



Penang

28 October 2022, Friday
8.45am - 5.00pm
Eastern & Oriental Hotel



Johor Bahru

27 October 2022, Thursday
8.45am - 5.00pm
DoubleTree Hilton



Kuantan

1 November 2022, Tuesday
9.00am - 1.00pm
AC Hotel Kuantan

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Find out how Grant Thornton can help you with your taxation matters.



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