

HIGHLIGHTS OF BUDGET 2023

Budget 2023 was re-unveiled on 24 February 2023 by the Prime Minister Datuk Seri Anwar Ibrahim. Themed “Developing Malaysia MADANI” to reflects the principles of accountability and pure value system that can address the current challenges including the highly uncertain global economic challenge.

We have extracted in this Highlights, proposals in Budget 2023 which in our view would be relevant from both the business and individual perspectives to our clients for their consideration.

The implementation of the proposals would be subject to any clarification and guidance from the relevant authorities and being legislated where applicable. As such, further details on the proposals are expected to be released by the authorities in due course.

CONTENTS		Page
A	Individual Tax	2
B	Corporate Tax	3
C	Tax Incentives	3
D	Stamp Duty and Indirect Tax	6
E	Other Budget Highlights	7

Glossary	
<i>IRB</i>	<i>Inland Revenue Board</i>
<i>MAFS</i>	<i>Ministry of Agriculture and Food Security</i>
<i>MIDA</i>	<i>Malaysian Investment Development Authority</i>
<i>MOE</i>	<i>Ministry of Education</i>
<i>RMCD</i>	<i>Royal Malaysian Customs Department</i>
<i>SMEs</i>	<i>Companies with paid-up share capital ≤ RM2.5m and annual sales ≤ RM50m</i>
<i>YA</i>	<i>Year of Assessment</i>

A	INDIVIDUAL TAX	<i>Effective</i>																																
1.	<p><u>Review of Resident Individual Income Tax Rate</u></p> <ul style="list-style-type: none"> Individual income tax rate to be reduced by 2% for each chargeable income band between RM35,001 to RM100,000 Income tax rate be increased by 0.5% to 2% for chargeable income band of RM100,001 to RM1,000,000 <table border="1" data-bbox="378 468 1255 793"> <thead> <tr> <th>Chargeable income band</th> <th>Tax +/-</th> <th>Tax assessed at</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>RM35,001 to RM50,000</td> <td>-2%</td> <td>6%</td> <td>- RM300</td> </tr> <tr> <td>RM50,001 to RM70,000</td> <td>-2%</td> <td>11%</td> <td>- RM400</td> </tr> <tr> <td>RM70,001 to RM100,000</td> <td>-2%</td> <td>19%</td> <td>- RM600</td> </tr> <tr> <td>RM100,001 to RM250,000</td> <td>+1%</td> <td>25%</td> <td>+RM1,500</td> </tr> <tr> <td>RM250,001 to RM400,000</td> <td>+0.5%</td> <td>25%</td> <td>+RM750</td> </tr> <tr> <td>RM400,001 to RM600,000</td> <td>+1%</td> <td>26%</td> <td>+RM2,000</td> </tr> <tr> <td>RM600,001 to RM1,000,000</td> <td>+2%</td> <td>28%</td> <td>+RM8,000</td> </tr> </tbody> </table>	Chargeable income band	Tax +/-	Tax assessed at	Tax payable	RM35,001 to RM50,000	-2%	6%	- RM300	RM50,001 to RM70,000	-2%	11%	- RM400	RM70,001 to RM100,000	-2%	19%	- RM600	RM100,001 to RM250,000	+1%	25%	+RM1,500	RM250,001 to RM400,000	+0.5%	25%	+RM750	RM400,001 to RM600,000	+1%	26%	+RM2,000	RM600,001 to RM1,000,000	+2%	28%	+RM8,000	YA2023
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2.	<p><u>Review of Income Tax Relief for Medical Treatment Expenses</u></p> <ul style="list-style-type: none"> The scope is expanded to cover the 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 as below: <ul style="list-style-type: none"> Diagnostic assessment certified by a medical practitioner registered with the Malaysian Medical Council (MMC); Early intervention and rehabilitation programs conducted by health profession practitioners registered under the Allied Health Profession Act 2016. With the expansion of this scope, the amount of tax relief for medical treatment expenses be increased from RM8,000 to RM10,000 	YA2023																																
3.	<p><u>Expansion of Scope for Tax Relief on Payment for Life Insurance premium or Takaful contribution</u></p> <ul style="list-style-type: none"> The relief of up to RM3,000 is expanded to cover <i>additional</i> voluntary contribution to EPF This new treatment is also applicable to civil servants under the pension scheme 	YA2023																																
4.	<p><u>Extension of Tax Relief for Child Care Centre or Kindergarten Fees</u></p> <ul style="list-style-type: none"> The relief of RM3,000 for fees paid to a childcare centre registered with the Social Welfare Department or kindergarten registered with MOE be extended for a year to YA2024 	For YA2024																																

B	CORPORATE TAX	<i>Effective</i>												
1.	<p><u>Review of Income Tax Rate for Micro, Small and Medium Enterprises (SMEs)</u></p> <ul style="list-style-type: none"> The tax rate on chargeable income for the first RM150,000 be reduced by 2% from 17% to 15%, and the tax rate for the remaining taxable income be maintained at 17% and 24% as follows: <table border="1"> <thead> <tr> <th>Chargeable income</th> <th>Tax assessed at</th> <th>Tax savings</th> </tr> </thead> <tbody> <tr> <td>First RM150,000</td> <td>15%</td> <td>(RM3,000)</td> </tr> <tr> <td>RM150,001 to RM600,000</td> <td>17%</td> <td>N/A</td> </tr> <tr> <td>RM600,001 and above</td> <td>24%</td> <td>N/A</td> </tr> </tbody> </table>	Chargeable income	Tax assessed at	Tax savings	First RM150,000	15%	(RM3,000)	RM150,001 to RM600,000	17%	N/A	RM600,001 and above	24%	N/A	YA2023
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2.	<p><u>Review of Tax Deduction on Cost of Listing in Bursa Malaysia</u></p> <ul style="list-style-type: none"> 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 to YA2025 Tax deduction is also expanded to include the cost of listing technology-based companies on BURSA Main Market 	YA2023 to YA2025												
3.	<p><u>Tax Deduction on Issuance Cost of Sustainable and Responsible Investment (SRI) Linked Sukuk</u></p> <ul style="list-style-type: none"> 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 	YA2023 to YA2027												

C	TAX INCENTIVES
1.	<p><u>Special Tax Deduction for Expenditure incurred by Hoteliers on Malaysian-Made Handicraft</u></p> <ul style="list-style-type: none"> Special tax deduction up to RM150,000 be given on qualified Malaysian-made handicraft purchased from handicraft entrepreneur certified by Perbadanan Kemajuan Kraftangan Malaysia incurred by hoteliers up to RM150,000 This deduction does not apply to expenditure that has been claimed under Section 33 or Schedule 3 of the Income Tax Act 1967 <p><i>Effective: From 1 Jan 2023 to 31 Dec 2025</i></p>
2.	<p><u>Expansion of Scope of Tax Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependents</u></p> <ul style="list-style-type: none"> The scope of tax incentive be expanded to include remuneration paid to inmates and ex-inmates of Henry Gurney School under Malaysian Prison Department, and protection and rehabilitation institutions and non-government care centres registered under the Social Welfare Department <p><i>Effective: From YA2023 to YA2025</i></p>

C	TAX INCENTIVES (Cont'd)
3.	<p><u>Tax Deduction for Sponsorship of Smart Artificial Intelligence (AI) – Driven Reverse Vending Machine</u></p> <ul style="list-style-type: none"> • Tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be given to companies and other taxable persons (individuals, partnerships, trusts and cooperatives that have business income) that make donations or sponsorships of Artificial Intelligence (AI) - Driven Reverse Vending Machine <p><i>Effective: For applications received by MOF from 1 Apr 2023 until 31 Dec 2024</i></p>
4.	<p><u>Tax Incentives for Company Renting Non-Commercial Electric Vehicle (EV)</u></p> <ul style="list-style-type: none"> • Tax deduction for rental of EV is allowed up to RM300,000 <p><i>Effective: From YA2023 to YA2025</i></p>
5.	<p><u>Tax Incentives for Manufacturer of EV Charging Equipment</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% on statutory income from YA2023 to YA2032 • 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 <p><i>Effective: Applications received by MIDA from 25 Feb 2023 to 31 Dec 2025</i></p>
6.	<p><u>Tax Incentives for Carbon Capture and Storage (CCS)</u></p> <ul style="list-style-type: none"> • <u>Companies undertaking CCS in-house activities:</u> <ul style="list-style-type: none"> ○ Investment tax allowance 100% of qualifying capital expenditure for a period of 10 years and can be set-off against up to 100% of business statutory income; ○ Full import duty and sales tax exemption on equipment for CCS technology commencing from 1 Jan 2023 until 31 Dec 2027; and ○ Tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operations • <u>Companies undertaking CCS services:</u> <ul style="list-style-type: none"> ○ Investment tax allowance 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 ○ Tax exemption of 70% on statutory income for a period of 10 years; and ○ Full import duty and sales tax exemption on equipment for CCS technology starting 1 Jan 2023 until 31 Dec 2027. • Companies engaging CCS services be given tax deduction on fees incurred for use of CCS services <p><i>Effective:</i></p> <ul style="list-style-type: none"> ○ <i>For applications received by MOF from 25 Feb 2023 to 31 Dec 2027</i> ○ <i>Tax Deduction can be claimed through the Income Tax Return from YA 2023 to YA2027</i>
7.	<p><u>Tax Incentives for Chicken Rearing in Closed House System</u></p> <ul style="list-style-type: none"> • Accelerated Capital Allowance 100% on the qualifying capital expenditure; and • Income tax exemption of 100% equivalent to the qualifying capital expenditure <p><i>Effective: From YA2023 to YA2025</i></p>

C	TAX INCENTIVES (Cont'd)
8.	<p><u>Review of Tax Incentives for Food Production Project</u></p> <ul style="list-style-type: none"> • Existing food production project incentives reviewed to further promote participation of industry players in agriculture sector and to ensure the security of domestic food supply: <ul style="list-style-type: none"> ○ scope of tax incentive is expanded to include agricultural projects based on Controlled Environment Agriculture (CEA) ○ tax incentive be extended for 3 years <p><i>Effective: For applications received by MAFS from 1 Jan 2023 to 31 Dec 2025</i></p>
9.	<p><u>Review of Tax Incentives for Bionexus Status Company</u></p> <ul style="list-style-type: none"> • Existing tax incentives reviewed to further encourage more industry players: <ul style="list-style-type: none"> ○ Income tax exemption on statutory income be increased from 70% to 100% ○ Tax incentive is extended for 2 years <p><i>Effective: For applications received by Malaysian Bioeconomy Development Corporation from 1 Jan 2023 to 31 Dec 2024</i></p>
10.	<p><u>Review of Accelerated Capital Allowances (ACA) in Manufacturing, Services and Agriculture Sectors</u></p> <ul style="list-style-type: none"> • Manufacturing and services companies which incur qualifying capital expenditure on automation equipment is given existing tax incentive as follows: <ul style="list-style-type: none"> ○ <u>Category 1: Labour-Intensive Industry (rubber, plastic, wood and textile products)</u> ACA of 100% for automation equipment on the first RM4 million for qualifying capital expenditure incurred and can be utilised within 1 year ○ <u>Category 2: Industries other than Category 1 including the Services Sector</u> ACA of 100% for automation equipment on the first RM2 million for qualifying capital expenditure incurred and can be utilized within 1 year • The ACA for automation equipment be enhanced as follows: <ul style="list-style-type: none"> ○ Scope of automation to include the adaptation of Industry 4.0 elements ○ Scope of tax incentive is expanded to include agriculture sector ○ Capital expenditure threshold for categories 1, 2 and agriculture be aligned and increased up to RM10 million <p><i>Effective: For applications received by MIDA/MAFS from 1 Jan 2023 to 31 Dec 2027</i></p>

D STAMP DUTY AND INDIRECT TAX	
1.	<p><u>Stamp Duty Treatment for Transfer of Property by Way of Love and Affection</u></p> <ul style="list-style-type: none"> The stamp duty on instruments of transfer of property between parents and children, grandparents and grandchildren be fully exempted, limited to the first RM1 million of the property's value. The remaining balance of the property's value is subject to ad valorem duty rate and is given 50% remission on the stamp duty imposed. This stamp duty treatment applies to the recipients who are Malaysian citizens. <p><i>Effective: From 1 April 2023</i></p>
2.	<p><u>Stamp Duty Treatment for Educational Loan/Scholarship Agreement</u></p> <ul style="list-style-type: none"> 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 <p><i>Effective: For educational loan/scholarship agreement executed from 1 June 2023</i></p>
3.	<p><u>Extension of Stamp Duty Exemption on Restructuring or Rescheduling of Loan/Financing Agreement</u></p> <ul style="list-style-type: none"> 100% stamp duty exemption on restructuring or rescheduling of loan/financing agreement be extended for 2 years <p><i>Effective: Restructuring/rescheduling agreements executed from 1 Jan 2023 to 31 Dec 2024</i></p>
4.	<p><u>Stamp Duty Exemption for First-time Home Buyer</u></p> <ul style="list-style-type: none"> 100% stamp duty exemption for houses worth RM500,000 and below 75% stamp duty exemption for houses worth over RM500,000 up to RM1 million <p><i>Effective: To be confirmed</i></p>
5.	<p><u>Import Duty and Sales Tax Exemptions on Studio and Filming Production Equipment</u></p> <ul style="list-style-type: none"> Import duty and sales tax exemptions on studio and filming production equipment be given to studio equipment providers, production and post-production services for a period of 3 years <p><i>Effective: For applications received by the MOF from 1 Apr 2023 to 31 Mar 2026</i></p>
6.	<p><u>Review of Excise Duty and Sales Tax Exemption on Sale or Transfer of Individually owned Taxis and Hired Cars</u></p> <ul style="list-style-type: none"> Existing excise duty and sales tax exemption on sale/transfer/private use/disposal of individually owned taxis and hired cars be reviewed as follows: <ul style="list-style-type: none"> Exemption is expended to taxis (budget taxis, executive taxis and TEKS1M), airport taxis (budget and family) and hired cars Vehicle age condition is relaxed to at least 5 years from the date of registration <p><i>Effective: For applications received by the Royal Malaysian Customs Department from 1 Mar 2023</i></p>
7.	<p><u>Extension of Import Duty, Excise Duty and Sales Tax Exemption in Relation to EV</u></p> <ul style="list-style-type: none"> Full import duty exemption on components for locally assembled EV to be extended until 31 Dec 2027 Full excise duty and sales tax exemption on locally assembled Completely Knocked-Down EV to be extended until 31 Dec 2027 Full import duty and excise duty exemption on imported Completely Built-Up EV to be extended until 31 Dec 2025

D STAMP DUTY AND INDIRECT TAX (Cont'd)	
8.	<p><u>Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy</u></p> <ul style="list-style-type: none"> Import duty and sales tax exemption be given to nicotine gum and nicotine patch for a period of 3 years <p><i>Effective: For applications received by the MOF from 1 Apr 2023 to 31 Mar 2026</i></p>
9.	<p><u>Introduction of Luxury Goods Tax</u></p> <ul style="list-style-type: none"> The Government proposed to introduce luxury goods tax with a minimum value depending on the type of luxury goods (e.g. luxury branded watches and branded fashion goods) It is proposed to commence in 2023 and the implementation date to be confirmed

E OTHER BUDGET HIGHLIGHTS																								
1.	<p><u>Capital Gains Tax on disposal of unquoted shares</u></p> <ul style="list-style-type: none"> Introduction of Capital Gains Tax (at low tax rate) on disposal of unquoted shares made by companies from Year 2024, subject to further study by the Government 																							
2.	<p><u>Special Voluntary Disclosure Program</u></p> <ul style="list-style-type: none"> Penalties will be waived for voluntary disclosures from 1 June 2023 to 31 May 2024 by IRB and RMCD 																							
3.	<p><u>Sumbangan Tunai Rahmah (STR)</u></p> <ul style="list-style-type: none"> <u>STR assistance to households</u> <table border="1" data-bbox="376 1104 1430 1331"> <thead> <tr> <th rowspan="2">Household income</th> <th colspan="4">Assistance to households with</th> </tr> <tr> <th>No children</th> <th>1-2 children</th> <th>3-4 children</th> <th>≥ 5 children</th> </tr> </thead> <tbody> <tr> <td>< RM2,500</td> <td>RM1,000</td> <td>RM1,500</td> <td>RM2,000</td> <td>RM2,500</td> </tr> <tr> <td>RM2,501 - RM5,000</td> <td>RM500</td> <td>RM750</td> <td>RM1,000</td> <td>RM1,250</td> </tr> </tbody> </table> <u>Additional assistance</u> <table border="1" data-bbox="376 1388 1430 1482"> <tbody> <tr> <td>Single senior citizen</td> <td>RM600</td> </tr> <tr> <td>Singles (< 60 years old)</td> <td>RM350</td> </tr> </tbody> </table> Additional assistance of RM600 in the form of a food basket and vouchers for staple food items worth RM100 for a period of 6 months aid recipients who are registered in the eKasih system <p><i>Effective From Year 2023</i></p>	Household income	Assistance to households with				No children	1-2 children	3-4 children	≥ 5 children	< RM2,500	RM1,000	RM1,500	RM2,000	RM2,500	RM2,501 - RM5,000	RM500	RM750	RM1,000	RM1,250	Single senior citizen	RM600	Singles (< 60 years old)	RM350
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