



HSS ADVISORY SDN BHD
(722956-M)

Tax & Business Advisors

SUMMARY OF BUDGET 2023

[24.02.23]

Building Malaysia Madani

Prepared by: HSS Advisory Sdn Bhd



Building Malaysia Madani

- **The Largest Budget to-date amount – RM 388.1 billion**
- **The government intends to allocate :-**
 - **RM 289.1 billion for operating expenditure**
 - **RM 99 billion for development expenditure; and**
 - **RM 2 billion for the Contingency Reserve Advance Warrant.**



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Tax Implication on Individuals



Review of Individual Income Tax Rate

- It is **proposed** that the income tax rate for resident individuals to be reduced by **2%** for each chargeable income band between **RM35,001 to RM100,000**;
- It is **proposed** that the income tax rate for resident individuals at the chargeable income band of **RM100,001 to RM250,000** be increased by **1%**, while at the chargeable income band of **RM250,001 to RM400,000** be increased by **0.5%** ; and

With effect from Year 2023



Review of Individual Income Tax Rate

- It is **proposed** that the income tax rate for resident individuals at the chargeable income band of **RM400,001 to RM600,000** be increased by **1%**; and
- It is **proposed** that the income tax rate for resident individuals at the chargeable income band **RM600,001 to RM1 million** be increased by **2%**

With effect from Year 2023



Review of Individual Income Tax Rate

Chargeable Income	Calculations (RM)	Rate (%)	YA2022 Tax Payable (RM)	YA2023 (Proposed) Tax Payable (RM)
35,001 – 50,000	On the First 35,000	8 (YA2022)	1,200	900
	Next 15,000	6 (YA2023)	1,800	1,500
* Estimate of Tax Savings – RM300				
50,001 – 70,000	On the First RM50,000	13 (YA2022)	2,600	2,200
	Next RM20,000	11 (YA2023)	4,400	3,700
* Estimate of Tax Savings – RM700				
70,001 – 100,000	On the First 70,000	21 (YA2022)	6,300	5,700
	Next 30,000	19 (YA2023)	10,700	9,400
* Estimate of Tax Savings– RM1,300				



Review of Individual Income Tax Rate

Chargeable Income	Calculations (RM)	Rate (%)	YA2022 Tax Payable (RM)	YA2023 (Proposed) Tax Payable (RM)
100,001 – 250,000	On the First 100,000	24 (YA2022)	36,000	37,500
	Next 150,000	25 (YA2023)	46,700	46,900
* Estimate of Tax Additional – RM200				
250,001 – 400,000	On the First 250,000	24.5 (YA2022)	36,750	37,500
	Next RM150,000	25 (YA2023)	83,450	84,400
* Estimate of Tax Additional – RM950				
400,001 – 600,000	On the First 400,000	25 (YA2022)	50,000	52,000
	Next 200,000	26 (YA2023)	133,450	136,400
* Estimate of Tax Additional – RM2,950				



Review of Individual Income Tax Rate

Chargeable Income	Calculations (RM)	Rate (%)	YA2022 Tax Payable (RM)	YA2023 (Proposed) Tax Payable (RM)
600,001 – 1,000,000	On the First 600,000	26 (YA2022)	104,000	112,000
	Next 400,000	28 (YA2023)	237,450	248,400
* Estimate of Tax Additional – RM10,950				



Reduce in tax



Increase in tax



Review of Personal Relief – Medical Expenses

1. Medical expenses for serious diseases for self, spouse or child;
2. Medical expenses for fertility treatment for self, or spouse
3. Vaccination expenses for self, spouse and child. – [**restricted to RM1,000**]

Types of vaccine which qualify for deduction such as Pneumococcal, Human papillomavirus (HPV), Influenza, Rotavirus, Varicella, Meningococcal, TDAP combination (tetanus-diphtheria-acellular-pertussis) and Coronavirus Disease 2019 (Covid-19)

4. Complete medical examination including mental health check up or consultation as defined by the Malaysian Medical Council (MMC) & COVID-19 detection test including purchase of self detection test kit for self, spouse, child [**restricted to RM1,000**]

RM10,000 (Restricted)



1. Expand medical expenses to include the intervention expenditure for Autism, Attention Deficit Hyperactivity Disorder (ADHD), Global Development Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities – [restricted to RM 4,000] as defined by Malaysian Medical Council (MMC) or by health profession practitioners registered under the Allied Health Profession Act 2016

(Proposed)



With effect from Year 2023



Review of Personal Relief - Life Insurance + EPF (Self Contribution)

RM3,000 (Restricted)

Life Insurance Premium or *Takaful* contributions for **self and spouse**

Including



Additional Voluntary Contribution of EPF

*Applicable to civil servants under the pension scheme

(Proposed)



KWSP
EPF

With effect from Year 2023



Extension of Personal Relief – Child Care Centre or Kindergarten Fees

Childcare fees paid to registered childcare centre or kindergarten

RM3,000 (Restricted)



EXTENDED UNTIL YEAR 2024

(Proposed)



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Tax Implication on Businesses

Review of Company Income Tax Rate

- Income tax rate for Micro, Small and Medium Enterprise (“MSME”), the chargeable income for the first RM150,000 be reduced by 2%.
- The income tax rates summary are as follows:

Taxable Income (RM)	Tax Rate (%) YA2022	YA2022 (RM)	Taxable Income (RM)	Tax Rate (%) YA2023 (Proposed)	YA2023 (RM)
First RM600,000	17%	102,000	First RM150,000	15%	22,500
			RM150,001 to RM600,000	17%	76,500
RM600,001 and above	24%	-	RM600,001 and above	24%	-

***Effective tax saving is RM3,000**

With effect from Year 2023



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Others

Stamp Duty Treatment for Transfer of Property by way of **Love and Affection**

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

Sale Price/Market Value of Property (whichever is higher)	Stamp Duty Rate
First RM 100,000	1%
Next RM 100,001 to RM 500,000	2%
Next RM 500,001 to RM 1,000,000	3%
Next RM 1,000,001 and above	4%

- Stamp duty remission of 50% is given on the instruments of transfer of property executed between parents and children of Malaysian citizenship



Stamp Duty Treatment for Transfer of Property by way of **Love and Affection**

- It is proposed that the instrument of transfer property by way of love and affection [husband and wife, parents and children or grandparents and grandchild] fully exempted, limited to the first RM1 million of property's value on the condition that the recipient of the property is Malaysian citizen.
- 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.

Effective date for instrument of transfer of property executed from 1 April 2023



Stamp Duty Treatment For Educational Loan/ Scholarship Agreement

- **Current:** Stamp duty at a fixed rate of RM10 was previously only applicable to loans made for the purpose of pursuing tertiary education level (diploma and above) at higher learning institutions pursuant to Item 22(4) of the First Schedule, Stamp Duty Act 1949, whilst for other levels are charged at *ad valorem rate*.
- **Proposal:** To 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.

With effect from 1 June 2023





Special Tax Deduction for Expenditure On Malaysian- Made Handicraft

- Currently, the hotel industry is known to assist in promoting the use of local handicraft products such as *songket* decorations, ceramic and wood-based products in the hotel premises. These purchases of qualifying asset for the 1st time is given capital allowance under Schedule 3 of ITA 1967 while subsequent purchase for replacement (T & C) will be given tax deduction under Section 33, ITA 1967.
- **Proposal:** Special tax deduction be given on qualified Malaysian-made handicraft purchased from local handicraft entrepreneur registered with Perbadanan Kemajuan Kraftangan Malaysia incurred by hoteliers limited to RM 150,000

Effective date from 1 January 2023 to 31 December 2025



Expansion of Scope of Tax Deduction for Employment of Inmate and Ex-Inmate of Henry Gurney School and Institutions Under The Social Welfare Department

- At present, further tax deductions are given to employers who employ senior citizens and ex-convict and has been expanded to include ex-drug dependants and convicts who are categorized as parolees and supervised persons.
- It is **proposed** the scope of tax incentive be expanded to include remuneration paid to inmate and ex-inmate of Henry Gurney School under Malaysian Prison Department, protection and rehabilitation institution and non-government care centres registered under the Social Welfare Department.

Effective date from the year of assessment 2023 to 2025

Tax Deduction for Sponsorship of Smart Artificial Intelligence (AI)-Driven Reverse Vending Machine

- Currently, tax deductions can be given to any relevant person who carries out community projects that provide significant benefits to the public in Malaysia related to the fields such as education. AI technology has been adapted for plastic waste collection in local communities to encourage behavioural change towards recycling through education.
- It is **proposed** tax deduction under Section 34(6)(h) of ITA 1967 be given to companies and other than companies that make donations or sponsorships of Artificial Intelligence (AI) - Driven Reverse Vending Machine.

Effective date for contribution/sponsorship and application received by MOF from 1 April 2023 until 31 December 2024



Tax Incentives for Company Renting Non-Commercial Electric Vehicle

Companies renting non-commercial motor vehicles, including electric vehicle (EV) are given tax deduction under Section 39(1)(k), ITA 1967:

Restriction	Cost of vehicle	Maximum rental amount allowed for tax deduction
	Not exceeding RM150,000	Limited up to RM100,000
	Exceeding RM150,000	Limited to RM50,000

Proposal

Company that rent non-commercial EV is given tax deduction on the rental amount up to RM300,000 to encourage the use of low-carbon vehicles.

Effective date from the year of assessment 2023 to 2025

Tax Incentives for Manufacturer of Electric Vehicle Charging Equipment

At present, Malaysia is actively promoting electric mobility ecosystem in line with the National Automotive Policy 2020 and the Low Carbon Mobility Blueprint 2021 - 2030.

Proposal

- Income tax exemption of 100% on statutory income from the year of assessment 2023 to 2032. Companies that make early investments are eligible to enjoy tax exemption for a period up to 10 years. Therefore, companies that make investments after the year of assessment 2023 are eligible to enjoy the remaining exemption period only; or
- 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 year of assessment.

Effective Date for applications received by the MIDA from 25 February 2023 until 31 December 2025



Tax Incentive for Carbon Capture and Storage

In line with this aspiration of the Low Carbon Nation Aspiration by 2040 , the Government has identified an initiative to curb the emission CO2 using Carbon Capture and Storage technology (CCS). The oil and gas as well as power generation industries are pioneer industries which use CCS technology in Malaysia. This technology comprises of 3 activities such as carbon capture, transportation of captured CO2, and underground or sea bed carbon storage.

Effective Date:

- **For application received by MOF from 25 February 2023 until 31 December 2027.**
- **Tax deduction can be claimed through the Income Tax Return Form from the year of assessment 2023 to 2027.**



Tax Incentive for Carbon Capture and Storage (Con't)

	Proposed
Companies undertaking CCS in-house activity	<ul style="list-style-type: none">a. Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years. The allowance can be set-off against up to 100% of business statutory income.b. Full import duty and sales tax exemption on equipment used for CCS technology commencing on 1 January 2023 until 31 December 2027.c. Tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operation.
Companies undertaking CCS services	<ul style="list-style-type: none">a. ITA of 100% of qualifying capital expenditure for a period of 10 years. The allowance can be set-off against up to 100% of statutory income; orb. Tax exemption of 70% on statutory income for a period of 10 years; andc. Full import duty and sales tax exemption on equipment used for CCS technology starting 1 January 2023 until 31 December 2027.
Companies using CCS services	Given tax deduction on fees incurred for use of services.



Review of Tax Incentives for Bionexus Status Company

Current tax incentives for BioNexus status companies:

- A company investing in a BioNexus status subsidiary company engaging in new project is given tax deduction equivalent to the amount of investment made in the basis year the investment is made.
- A company undertaking biotechnology activity and being approved with BioNexus status:
 - a. Income tax exemption of 70% on statutory income commencing from the first statutory income for a period of 10 or 5 years, subject to new or existing business (expansion project)
 - b. Concessionary tax rate of 20% on income from qualifying activities for 10 years upon the expiry of the tax exemption period
 - c. Double tax deduction on research & development expenditure
 - d. Industrial Building Allowance on building for biotechnology research activities
 - e. Import duty exemption on raw materials/components and machinery/equipment.

The tax incentive is for applications received by Malaysian Bioeconomy Development Corporation from 1 January 2021 until 31 December 2022.



Review of Tax Incentives for Bionexus Status Company (Con't)

It is **proposed** that:

- Income tax exemption rate on statutory income of BioNexus status company be increased from 70% to 100%.
- Application period for tax incentives be extended for 2 years.

Effective date for applications received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

Extension of Accelerated Capital Allowance in Manufacturing, Services & Agriculture Sector

Application must be received by MIDA & MAFS from 1 January 2023 until 31 December 2027

Manufacturing and Services Companies	Accelerated Capital Allowance (ACA)	Extension
Category 1: Labour-intensive Industry (rubber, plastic, wood & textile products)	100% for automation equipment on the first RM 4 million for qualifying capital expenditure incurred	include agriculture sector
Industries other than Category 1 including the services sector	100% for automation equipment on the first RM 2 million for qualifying capital expenditure incurred	include adaptation of Industry 4.0 elements within the automation scope capital expenditure threshold will be aligned and increased to RM10 mil

Extension of Tax Incentive for Aerospace Industry

This is for applications received by MIDA from 1 January 2023 until 31 December 2025.

	Existing Incentive	Proposed
New Company	Income tax exemption of 70% to 100% for a period between 5 to 10 years; or	Extended another 3 years [1 January 2023 until 31 December 2025]
	Investment Tax Allowance of 60% to 100% for a period of 5 years, set-off against 70% to 100% of statutory income for each YA.	
Existing Company	Investment Tax Allowance of 60% for a period of 5 years, set-off against 70% of statutory income for each YA.	Extended another 3 years [1 January 2023 until 31 December 2025]



Import Duties & Sales Tax Exemption on Studio & Filming Production Equipment

- **Import duties and sales tax exemptions** on studio and filming production equipment be granted to equipment providers and production services including post-production, studio and cinema for a **period of 3 years**.
- Application must be received by MOF within 1 April 2023 to 31 March 2026.





Expansion of Indirect Taxes Exemption on Individually Owned Taxis and Hired Cars

Current Exemption

Excise duty and sales tax exemption on the sale, transfer, private use or disposal of individually owned taxis and hired cars

Expanded to include executive taxis, TEKS1M and airport taxis

Requirement for vehicle age is reduced from 7 years to at least 5 years from the date of registration

Application to Royal Malaysian Customs Department (RMCD) starting from 1 March 2023

Extension of Tax Incentives for the Development of Electric Vehicle Industry

Tax exemptions for EV consist of passenger vehicles (including SUV and MPV), commercial vehicles and motorcycles.

Existing Incentive	Incentive Period	Extension
Full import duty exemption on components for locally assembled EV	01.01.2022 to 31.12.2025	until 31.12.2027
Full excise duty exemption and sales tax on Completely Knocked-Down (CKD) EV		
Full import duty and excise duty exemption on imported Completely Built-Up (CBU) EV	01.01.2022 to 31.12.2023	until 31.12.2025

Extension of Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy Products

The following two Nicotine Replacement Therapy (NRT) products will be exempted from import duty and sales for a period of 3 years:

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



Application must be received by MOF within 1 April 2023 to 31 March 2026

Voluntary Disclosure



The Voluntary Disclosure will be reintroduced by :

- The Inland Revenue Board (LHDN)
- Royal Malaysian Customs Department (JDKM)

Through this programme, **100% penalty waiver** will be granted for Voluntary Disclosures from **1 June 2023 to 31 May 2024**

The relevant year of assessment will be shared when we have received further information from the relevant authority

Capital Gains Tax for Disposal of Unlisted Companies

- The Government will study the introduction of a Capital Gains Tax for the **disposal of unlisted shares** by companies **beginning 2024 at a lower rate**.
- The Government will hold consultation sessions with relevant parties to examine the details of this proposal



Luxury Goods Tax

- The Government plans to introduce this tax beginning this year with a certain amount
- These goods includes luxury watches and luxury fashion items.





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