



Smart decisions. Lasting value.

Key “Tax-Aways” for Year 2023

26 December 2023

Foreword

The global recovery remained slow in the year 2023 with stubborn inflation, rising interest rates and heightened conflicts around the world. From the Malaysian perspective, the 15th General Election resulted in a unity government being formed amidst rising cost of living and economic slowdown. The year also saw the weakened Malaysian ringgit which adversely affected households and substantially reduced the purchasing power of Malaysians.

One year of coming to power, the unity government is said to be politically stable and able to fully focus on bolstering the economy and improving the people's welfare. Our observations are that, as Malaysia resets after a change in government, tax developments will continue to take shape as the unity government looks to rebuild the economy and emphasize a return to sustainable economic growth in 2024.

As such, this write up focuses on the key "Tax Aways" for the year 2023, which will highlight some of the important takeaways from a tax perspective that taxpayers need to be aware of before we go forward into the new year. Some of these items may be new, as they have only been implemented or announced in recent months, making this publication a timely resource for taxpayers who are in the midst of preparing for the new year. Therefore, we encourage taxpayers to take stock of these takeaways for the year 2023 so that you may better position yourselves for the challenges ahead. As always, we hope that taxpayers will remain vigilant to the changes that are taking place amidst an uncertain environment and remain at your side to address any of these challenges.

From all of us at Crowe Malaysia, we would also like to take this opportunity to wish all our clients a very Happy New Year ahead and greater success in the year 2024.

Key “Tax-Aways” for Year 2023

Corporate Tax



Implementation of E-invoicing

The mandatory timeline for implementing e-invoicing has been revised by the government as follows:

- i) Taxpayers with an annual turnover in 2022 exceeding RM100 million - 1 August 2024
- ii) Taxpayers with annual turnover in 2022 of RM25 million and up to RM100 million - 1 January 2025
- iii) Taxpayers with annual turnover in 2022 of less than RM25 million - 1 July 2025



Income Tax (Transfer Pricing) Rules 2023

The key changes introduced under the TP Rules 2023 that took effect from Year of Assessment (YA) 2023, include:

- TP Documentation (TPD) to be completed prior to the tax return filing deadline
- New Schedule 1 for MNE Groups
- Redefined arm’s length range

Further Tax Deduction for Voluntary Carbon Market

Budget 2024 proposed a further tax deduction of up to RM300,000 to companies for expenses incurred in carbon project Development, Measurement, Reporting and Verification to foster Environmental, Social and Governance (ESG) practices.



Tax Incentives for Green Initiatives

The Green Technology tax incentives [Green Investment Tax Allowance (GITA) Project and GITA Asset, and Green Investment Tax Exemption (GITE) for Solar Leasing] have been extended for a period of three (3) years for applications received from 1 January 2024 to 31 December 2026.



Special Voluntary Disclosure Programme (SVDP 2.0) for Direct Tax

The SVDP 2.0 which grants taxpayers full penalty relief for voluntary disclosures regarding underpayment of direct tax is applicable for the period from 6 June 2023 to 31 May 2024.



Key “Tax-Aways” for Year 2023

Corporate Tax



Condition for Tax Treatment on Micro, Small and Medium Sized Companies (MSME)

MSME are eligible for preferential tax treatments as follows:

- i) Preferential tax rate of 15% for the first RM150,000 of chargeable income and 17% for chargeable income from RM150,001 to RM600,000.
- ii) Exemption from filing estimate of tax (CP 204) for 2 (two) consecutive YAs from commencement of operations.
- iii) Non-application of RM20,000 cap per YA for accelerated capital allowance (ACA) claim on small value assets.

To qualify as an MSME, the taxpayer must meet the condition whereby not more than 20% of its share capital in respect of ordinary shares, at the beginning of the basis period of a YA, is owned directly or indirectly by one or more companies incorporated outside Malaysia or individuals who are not Malaysian citizens.

Implementation of Capital Gains Tax (CGT)

From 1 March 2024, CGT is payable by a company, limited liability partnership, trust body or co-operative society on gains from the disposal of unlisted company shares and shares in a foreign company that owns real property in Malaysia with a value that is more than 75% of the value of its total tangible assets. The tax rate for CGT will be 2% on the gross sales value or 10% on the net profit from such disposals.

Apart from the above, the draft legislation has stated that the gains from the disposal of foreign capital assets by the abovementioned taxpayers will be subject to CGT at rates similar to the prevailing income tax rates applicable to those abovementioned taxpayers. This law is effective from 1 January 2024.



Key “Tax-Aways” for Year 2023

Individual Tax



Keeping Supporting Documents

Individual taxpayers must remember to retain all receipts and supporting records for seven (7) years as evidence for making tax relief claims.



Expansion of Tax Relief on Life Insurance or Takaful Contributions

Tax relief on life insurance or Takaful contributions will be expanded to include voluntary contributions to EPF up to RM3,000 from the YA 2023.

Review of Resident Individual Income Tax Rates

With effect from the YA 2023, the income tax rates for:

- each of the chargeable income bands from RM35,001 to RM100,000 has been reduced by 2%; and
- each of the chargeable income bands from RM100,001 to RM1,000,000 has been increased by between 0.5% to 2%.



Expansion of Scope of

Income Tax Relief for Medical Treatment

Medical treatment expenses for self, spouse and children have been expanded to include diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome, and Specific Learning Disabilities. Deduction is limited to RM4,000 from YA 2023.



Key “Tax-Aways” for Year 2023

Indirect Tax



Voluntary Disclosure Programme (VDP 2.0) for Indirect Tax

VDP 2.0 is effective for the period from 6 June 2023 to 31 May 2024, and grants taxpayers 100% remission from penalties for disclosure of indirect taxes underpaid (such as Goods and Services Tax (GST), Tourism Tax, Sales Tax and Service Tax) payable up to 28 February 2023.



Sales Tax on Imported Low Value Goods

The imposition of Sales Tax on imported Low Value Goods, initially scheduled to take effect on 1 April 2023, has been postponed to 1 January 2024.

Royal Malaysian Customs Department (RMCD) Payment Update

The RMCD has announced a name change for payments made via cheques or bank drafts from “Ketua Pengarah Negeri” to “Ketua Pengarah Kastam”.



Increase in Service Tax Rate

The Service Tax rate will be increased from 6% to 8% effective from 1 March 2024, except for food and beverage, telecommunications services, vehicle parking services, and logistics services, which will remain at 6%.



Expansion of Scope of Taxable Services

The scope of taxable services will be expanded to include karaoke centre services, delivery services, logistics services, and non-financial services relating to brokerage and underwriting. This change will be effective from 1 March 2024.



Key “Tax-Aways” for Year 2023

Immigration



New initiatives introduced under the Malaysia Visa Liberalisation Plan

New initiatives have been introduced by the government to facilitate foreign arrivals into Malaysia:

- i) Visa exemption for a period of 30 days for citizens from China and India.
- ii) Multiple entry visa to ease entry into and exit from Malaysia for a period of stay of up to 30 days.
- iii) Graduate Social Visit Pass with a validity period of 12 months and Multiple Entry Visa facility for international students (including dependents) from 23 countries who have completed their Bachelor’s degree or higher at any institution of higher education in Malaysia.
- iv) Umrah transit visa which is a seven-day Social Visit Pass for umrah pilgrims who wish to travel to Malaysia prior to or after Umrah.
- v) Visa validity period is extended to six (6) months, and the Social Visit Pass eligibility period for 22 countries which require a visa, is extended to a minimum 30 days.

Single Window System for Support Letter Application

The Xpats Gateway has been introduced as a centralised platform for obtaining expatriate support letters from various approving agencies / regulatory bodies instead of using the existing manual method.



Enhancement of Projection Requirement on ESD Online Platform

The process of projecting the number of expatriates a company plans to hire for the current year through the ESD (Expatriate Services Division) online platform has been simplified and the results are now instant.



Requirement for Prior Approval from the Department of Labour

This is a new requirement for hire of expatriates whereby in accordance with Section 60K of the Employment Act 1955, companies are required to obtain prior approval from the Department of Labour (Jabatan Tenaga Kerja) before employing expatriates.





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