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Crowe Chat Vol.6/2022 (Special Edition)

# Malaysia Budget 2023

Key Highlights of *Belanjawan 2023*

8 October 2022

# Introduction to the Malaysia Budget 2023

Announced on 7 October 2022  
by the Finance Minister,  
**YB Tengku Zafrul Aziz**



## 3R Drivers

- 1 Responsive
- 2 Responsible
- 3 Reformist

2022	2023
Government Revenue	
RM285.2bil	RM272.6bil
Government Expenditure	
RM355.9bil	RM371.7bil
Deficit	
-RM99.5bil	-RM99.1bil
Deficit/GDP	
-5.8%	-5.5%

# Snapshot of Budget 2023



**2%**

Reduction in personal income tax rates for the chargeable income band between RM50,001 to RM100,000



**6 years**

Tax exemption for women returning to work after a career break



**15%**

Tax rate for SME's first RM100,000 of chargeable income.



**2024**

Targeted year for implementation of Global Minimum Effective Tax Rate and Qualified Domestic Minimum Top-Up Tax as recommended under Pillar 2 of BEPS Action Plan 1.



**5-year**

Incentive period for GITA and GITE tax incentives for applications received by MIDA until 31 December 2025



**RM10**

Fixed stamp duty for transfer of properties by way of love and affection between husband and wife, parents and children, and grandparents and grandchildren.

# Foreword

On 7 October 2022, the Honorable Finance Minister, YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz had tabled, what is certainly, the last national budget for this parliamentary term. Whilst many were expecting to ride the wave of recovery post Covid-19, 2022 has so far brought about numerous unforeseen challenges. Amidst the backdrop of the rising cost of living, increased geopolitical tensions from the Russia-Ukraine war, adverse effects from climate change and an energy crisis brewing in Europe, many questions have been asked as to what can businesses do to face these challenges?

We see the opportunities for businesses manifesting in the form of a post-pandemic TIDE (Taxation, Inflation, Digitalisation and Expansion). Only by unlocking the potential that the oncoming TIDE brings will businesses be able to coordinate an effective strategic response to safeguard their growth prospects.

In this sense, Budget 2023, themed *Strengthening Recovery, Facilitating Reforms Towards Sustainable Socio-Economic Resilience of Keluarga Malaysia* has provided businesses and ordinary Malaysians with varying levels of support to face this TIDE. Crafted on the principles of the 3R (responsive, responsible and reformist) as well as the four strategies of fiscal expansion, prioritizing the *rakyat*, support for businesses, and sustainable development, Budget 2023 focuses on the right economic touchpoints. The measures introduced provide Malaysians with vital economic support during one of the most challenging periods in the history of the modernized economy.

Tax measures such as the reduction in tax rates for the M40 group and small-medium enterprises, as well as the focus on sustainability in the expansion of green tax incentives make Budget 2023 highly relevant. Malaysia has also responded to the global proposals regarding a global minimum tax rate and targets to introduce such measures in 2024. Meanwhile, non-tax measures such as increased cash aid, financial support for businesses and the focus on carbon neutral goals are all welcomed. However, funding for these initiatives remains uncertain as projected government revenue of RM272.6 billion for the fiscal year 2023 remains below the revised estimates of RM285.2 billion for 2022. Hence, taxpayers can expect a heightened compliance environment and potentially more tax measures going into 2023 to sustain government revenue.

Our overall observations are that the Budget 2023 is very much a budget responding to the needs of today. However, long-term measures to address pressing needs, such as human capital shortages and levels of foreign direct investment, remain somewhat absent. Nonetheless, Budget 2023 offers enough for businesses and ordinary Malaysians to safeguard their current positions and steady the ship as we face uncertain times ahead. It is hoped that the contents of this analysis aid businesses in crafting their strategic and financial response as we face some of the most significant economic headwinds in the 21<sup>st</sup> century.



**Poon Yew Hoe**  
Managing Partner  
Crowe Malaysia



# Key Highlights of Budget 2023

# Highlights of Budget 2023

## Businesses



### **Review of Income Tax Rate for Small and Medium Enterprises (“SMEs”)**

Corporate income tax rate for SMEs will be reduced from 17% to 15% on the first chargeable income of RM100,000.



### **Introduction of Global Minimum Effective Tax Rate and Qualified Domestic Minimum Top-Up Tax**

The Global Minimum Effective Tax Rate will be introduced as recommended under Pillar 2 of BEPS Action Plan 1. Subject to further studies, the Qualified Domestic Minimum Top-Up Tax is targeted to be implemented in the year 2024.



### **The definition of plant will be expanded to include intangible assets such as software**

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### **Claim of Unabsorbed Business Losses for Sector with Long Gestation Period**

Companies in the sectors with long gestation period such as forest plantations and hydroelectric projects are allowed to carry forward its unabsorbed business losses for a maximum period of twenty (20) consecutive years of assessment (YAs) instead of ten (10) consecutive YAs.



### **Tax Deduction on Cost of Rental of EVs limited to a maximum of RM300,000 per vehicle**

The maximum rental amount for EVs allowed for tax deduction is limited to RM300,000 per vehicle (RM100,000 previously for vehicles that cost less than RM150,000).



### **Tax Deduction on Cost of Listing Expenses of up to RM1.5 million**

The existing tax deduction is extended for a period of three (3) years, i.e. up to YA 2025 and expanded to cover the cost of listing technology-based companies on BURSA Main Market.

# Highlights of Budget 2023

## Businesses (cont.1)



### Special Tax Deductions for Hotels

Hoteliers will be given a special tax deduction of up to RM500,000 for the purchase of qualified Malaysian-made handicraft products from 1 January 2023 to 31 December 2023.



### Expansion of Scope of Tax Deduction for the Employment of Ex-Convicts

The additional tax deduction for employment of ex-convicts will be extended to include the employment of inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department, protection and rehabilitation institutions and registered care centres under the Social Welfare Department from YAs 2023 to 2025.



### Tax Deduction for Sponsoring of Smart Artificial Intelligence ("AI")-Driven Reverse Vending Machine

Tax deduction will be given to companies and individuals, partnerships, trusts and cooperatives with business income that make donations or sponsorships of AI-Driven Reverse Vending Machine and applications received by MOF from 1 January 2023 to 31 December 2024.

### Tax Deduction for Contributions to Film Community Fund and National Development Fund under FINAS

The tax deduction of up to 10% of the aggregate income will be given for contributions made to Film Community Fund and National Development Fund under FINAS (National Film Development Corporation).



### Tax Deduction for Contributions to NGOs involved in Sports Development

The tax deduction of up to 10% of the aggregate income will be given for contributions made to NGOs focusing on sports development at grassroots level.



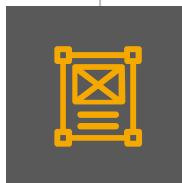
### Electronic Transmissions for Tax Payment

Taxpayers are required to make electronic transmissions for tax payments from YA 2024.



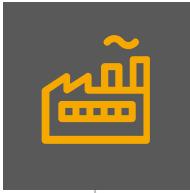
### Tax Payment E-Invoicing

Inland Revenue Board ("IRB") will be introducing e-invoicing for tax payments in phases starting from year 2023.



# Highlights of Budget 2023

## Businesses (cont.2)



### **Tax Deduction on Issuance Cost of Sustainable and Responsible Investment Linked (SRI-linked) Sukuk**

Tax deduction on issuance cost of SRI-linked Sukuk which is approved or permitted or deposited with the Securities Commission Malaysia ("SC") will be given for a period of five (5) years starting from YAs 2023 to 2027.



### **Extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE)**

Extension of GITA and GITE applications received by Malaysian Investment Development Authority ("MIDA") until 31 December 2025 and the incentive period will be increased from three (3) years to five (5) years, for selected qualifying green activities.

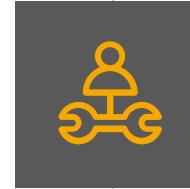


### **Tax Incentives for Manufacturers of Electric Vehicle (EV) Charging Equipment**

EV charging equipment manufacturers will be given 100% income tax exemption on statutory income for a period of ten (10) years from YAs 2023 to 2032, or Investment Tax Allowance of 100% for a period of five (5) years which can be set-off against up to 100% of the statutory income for each YA.

### **Review of Tax Incentive for Automation in Manufacturing and Services Sector**

The tax incentives are expanded to include the agriculture sector, adaption of Industry 4.0 elements and the capital expenditure threshold for all 3 sectors are aligned and increased up to RM10 million.



### **Introduction of New Schedule for Reinvestment of Hotel and Selected Tourism Projects under Income Tax Act 1967 (ITA)**

Hotel and selected tourism projects under the ITA will be given reinvestment allowance at a rate of 60% for the qualifying capital expenditure ("QCE") incurred for a period of five (5) years consecutively. The QCE will be able to set off against 70% of statutory income.



### **Review of Tax Incentive for Tour Operators**

The tax exemption of 100% on statutory income will be given to tour operators for bringing in at least two hundred (200) inbound tourists or four hundred (400) local tourists per year from YA 2023.



# Highlights of Budget 2023

## Businesses (cont.3)



### Extension of Tax Incentive for Intellectual Property (“IP”) Development

The income tax exemption of 100% for a period of up to ten (10) years for companies that undertake research and development for promoted products and develop IP in Malaysia will be extended until 31 December 2025.



### Incentive for Relocation of E&E Sector Investors to Malaysia

The preferential 15% flat tax rate for foreign individuals employed in C-Suite level positions will be extended until year 2024.



### Review of Tax Incentives for BioNexus Companies

The income tax exemption on statutory income of BioNexus Companies will be increased from 70% to 100% and the application period will be extended for applications received by Malaysian Bioeconomy Development Corporation until 31 December 2024.

### Extension of Tax Incentive for Global Trading Centres

The tax incentive for Global Trading Centres will be extended until 31 December 2025.



### Extension of Tax Incentive for Principal Hub 3.0

The application period for tax incentive under Principal Hub 3.0 will be extended to 31 December 2025.



### Tax incentives for carbon capture and storage

Tax incentives such as investment tax allowance, import duty exemption, sales tax exemption and tax deduction will be given to companies using Carbon Capture and Storage (“CCS”) technology. Companies will need to apply to the MOF from 1 January 2023 to 31 December 2027.



# Highlights of Budget 2023

## Businesses (cont.4)



### Review of Tax Incentives for Food Production Project

The tax incentives for certain investors or companies engaging in food production projects will be expanded to include modern agriculture projects based on Controlled Environment Agriculture, and the tax incentive period will be extended until 31 December 2025.



### Extension of Tax Incentives for Pharmaceutical Companies

The tax incentives for pharmaceutical manufacturers in the form of reduced income tax rates (0% to 10%) will be extended for another three (3) years until 31 December 2025.



### Extension of Tax Incentives for Medical Tourism

The tax incentive for medical tourism will be extended for a period of three (3) years until 31 December 2025.

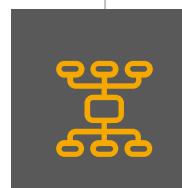
### Extension of Tax Incentives for Export of Private Healthcare Services

The income tax exemption for export of private healthcare services will be extended for another three (3) years until YA 2025.



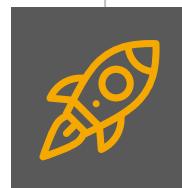
### Tax Exemption for Charitable Hospitals

Charitable hospitals registered as Company Limited by Guarantee will be given income tax exemption equivalent to the amount of charitable expenditure incurred. Donors will also be given tax deduction of up to 10% of aggregate income under subsection 44(11C) of the ITA.



### Extension of Tax Incentives for Aerospace Industry

Tax incentives for aerospace companies of either income tax exemption or Investment Tax Allowance will be extended for a period of three (3) years until 31 December 2025.



# Highlights of Budget 2023

## Businesses (cont.5)



### **Tax incentives for chicken rearing in closed house system**

Accelerated Capital Allowance ("ACA") and income tax exemption of 100% will be given on qualifying capital expenditure incurred for closed house system. These tax incentives are given on qualifying capital expenditure incurred from YA 2023 to 2025 and to be fully absorbed within a year.



### **Extension of Tax Incentives for Ship Building and Ship Repairing ("SBSR") Industry**

The tax incentive and bona fide status for companies undertaking SBSR activities in Malaysia will be extended until 31 December 2027.

### **Extension of Tax Incentive for Angel Investors**

Tax exemption on the amount of investment made by angel investors will be extended until 31 December 2026.



### **Review of Tax Incentives for Equity Crowdfunding**

The tax exemption equal to 50% of the investment amount will be expanded to include investments made by individual investors through Limited Liability Partnership Nominee Companies and the investment period will be extended until 31 December 2026.



# Highlights of Budget 2023

## Businesses (cont.6)



### Review of Stamp Duty on Education Loan and Scholarship Agreement

The fixed duty of RM10 on educational loan and scholarship agreements will be expanded to include education at all levels including certificate (education/skills/professional) level in any educational and training institutions for agreements executed from 1 January 2023.



### Extension of Stamp Duty Exemption for Loan Restructuring and Rescheduling

Stamp duty exemption for loan restructuring or rescheduling will be extended for agreements executed from 1 January 2023 to 31 December 2024.

### Review of Stamp Duty Exemption for the purchase of first residential home

The Stamp Duty exemption will be increased from 50% to 75% for the first residential home that is worth RM500,000 to RM1,000,000 until 31 December 2023.



### Payment of Stamp Duty and Sealing of Instruments by Online Stamp Assessment and Payment System

Payment of stamp duty and sealing of instruments process will be made entirely online through Stamp Assessment and Payment System by 2024.



### Review of Stamp Duty Exemption for Transfer of Property by way of Love and Affection

The transfer of property by way of love and affection between husband and wife, parents and children, as well as grandparents and grandchildren will be imposed a fixed duty of RM10 for instruments executed from 1 January 2023.



# Highlights of Budget 2023

## Businesses (cont.7)



### Import Duty and Sales Tax Exemptions for Purchase of Studio and Filming Production Equipment

Import duty and sales tax exemptions will be given for the purchase of studio and photograph production equipment for applications received by MOF from 1 January 2023 to 31 December 2024.



### Review of Excise Duty and Sales Tax Exemptions on Sale or Transfer of Individually Owned Taxis and Hired Cars

Excise duty and sales tax exemptions for the sale or transfer of individually owned taxis will be expanded to include executive taxis, Teksi 1Malaysia ("TEKS1M") and airport taxis and the age of vehicle is reduced from 7 years to 5 years from the date of registration.



### Extension of Import Duty and Excise Duty Exemptions on Imported Completely Built-Up ("CBU") Electric Vehicles

The full import duty and excise duty exemptions for imported CBU electric vehicles will be extended to 31 December 2024.

### Excise Duty Exemption on Tourist Vehicles

50% excise duty exemption will be given on the purchase of new locally assembled tourism vehicles (i.e hire and drive cars for tourists and excursion buses) for applications received by MOF from 1 January 2023 to 31 December 2024.



### Extension of Sales Tax Exemption for the Purchase of Locally Assembled Buses

Sales tax exemption on the purchase of locally assembled buses will be extended to 31 December 2024.



### Service Tax Exemption on Digital Services Related to Banking/Financial Services

Service tax exemption will be given to recipients of digital payment services and local non-bank digital payment services provided from 1 August 2022 to 31 July 2025.

The expiry date for existing service tax exemption for local financial institutions/banks and any qualified service providers is streamlined to 31 July 2025.

# Highlights of Budget 2023

## Individuals



### Review of Resident Individuals

#### Income Tax Rate

- The tax rate of resident individuals for each chargeable income band between RM50,001 to RM100,000 will be reduced by 2%; and
- The tax rate of resident individuals for chargeable income band between RM250,001 to RM400,000 will be increased by 0.5%.



### 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 YA 2023.

### Expansion of Tax Relief on Medical Treatment Expenses

Tax relief of up to RM1,000 on medical treatment expenses for self, spouse and child will be expanded to cover dental examination and treatment from YA 2023.



### Extension of Tax Relief for Nett Annual Savings in the National Education Savings Scheme (“SSPN”)

Tax relief of up to RM8,000 on the net annual savings in the SSPN will be extended for another two (2) years until YA 2024.



### Extension of Tax Relief for Childcare Centres and Kindergarten Fees

Tax relief of up to RM3,000 on childcare centres and kindergarten fees will be extended for another year until YA 2024.



# Highlights of Budget 2023

## Individuals (cont.1)



### Review of Tax Incentive for Women

#### Career Break

Income tax exemption on employment income received by women returning to work after a career break will be extended until YA 2028 provided that the career break is at least two (2) years on the date of application received by Talent Corporation Malaysia Berhad (“TCMB”) and the applications must be received by TCMB from 1 January 2023 until 31 December 2027.



### Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy

Import duty and sales tax exemptions will be given on the purchase of nicotine gum and nicotine patch for applications received by the MOF from 1 January 2023 to 31 December 2027.

### Expansion of Scope on COVID-19 Detection Test Method

Tax relief on COVID-19 detection test expenses will be expanded to include tests conducted in a laboratory recognised by the Ministry of Health Malaysia from YA 2023.



### Implementation of Tax Identification Number (“TIN”)

Individual citizens and permanent residents who reach the age of 18 will be automatically assigned with a TIN and it is made mandatory for all stamping documents and instruments from year 2023.



### Implementation of Multi-tiered Levy

Companies with a high number of foreign workers will be subject to a higher levy from year 2023.



# Highlights of Budget 2023

## Government Grants



### Grants for Micro, Small and Medium Enterprises ("MSMEs")

Grant of RM1 billion for all registered MSMEs businesses and taxi drivers.



### Matching Grants for the Malaysia Co-investment Fund

Matching grants of RM30 million under the Malaysia Co-investment Fund for funding through equity crowdfunding.



### Matching Grants for Tourism Sector

Matching grants of RM90 million under Geran Padanan Galakan Melancong ("GAMELAN") for companies involved in promotion and marketing campaigns on tourism activities which include international sporting events.



### Grants under the Geran Pertubuhan Prihatin Komuniti

Grant of RM20 million for 2,000 associations that undertake volunteer activities such as floods and fires at the community level.

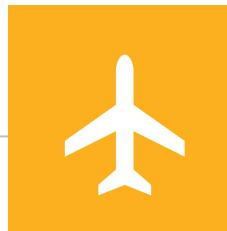
# Highlights of Budget 2023

## Government Grants (cont.1)



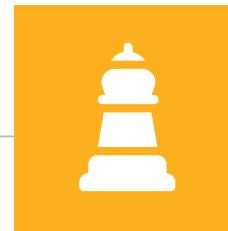
### Matching Grants for Medical Device Industry

Matching grants of RM20 million for supporting of product development and creation of local talent in medical device industry.



### Matching Grant for Aerospace Industry

Matching grants of RM50 million for the support of aerospace component development.



### Local Strategic Investment Fund

Funding of RM100 million for the support of local technology-based companies to expand their businesses.



### Venture Capital Fund

Funding of RM10 million through equity investment in high-technology companies in the electrical and electronics ("E&E") and renewable energy sectors.

# Highlights of Budget 2023

## Government Grants (cont.2)



### **Cradle Fund**

Funding of RM50 million for innovative start-up companies to succeed in their businesses internationally.



### **Matching Grant for Carbon Assessment**

Matching grants of RM10 million to assist in the preparation of carbon assessments for SME companies as well as eligible related products for the introduction of carbon tax.

# Highlights of Budget 2023

## Financing



### Funds available for women

RM235 million of financing funds will be made available for women to increase business capacity and improve marketing strategies, through Skim Semarak-Nita BSN, Tekunita TEKUN, DanaNITA MARA and Biz Lady Bank Rakyat.



### Funds available for youths

RM305 million of special loan facility will be made available for youths through SME Bank, TEKUN, MARA, BSN and AgroBank.



### Interest Subsidy and Equity Funding through Bank Pembangunan Malaysia Berhad ("BPMB")

Various funding will be provided through BPMB as follows:

- a. Interest subsidy for financing at 1.5 percent per year
  - RM1.5 billion available under Sustainable Development Financing Fund;
  - RM1 billion available for Tourism Infrastructure Financing Fund; and
  - RM1 billion available under Maritime and logistics Financing Fund
- b. RM1 billion of Recovery and Support Through Equity Scheme and Working Capital Scheme.

# Highlights of Budget 2023

## Financing (cont.1)



### Business Financing Guarantee for SMEs

Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") will provide funding guarantees of RM9 billion on loans dedicated to SMEs in the strategic sectors such as agro-food, sustainable technology, tourism and vendors of oil and gas.



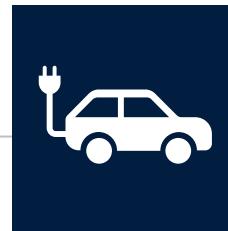
### Funds available for Tourism Operators

RM500 million of funding will be made available to support tourism industry operators with a funding limit of RM500,000.



### Funds available for E&E Sector

RM1 billion of funding will be made available to attract more investments with high value-added as well as generating professional job opportunities.

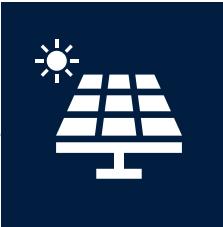


### Green Technology Financing Scheme ("GTFS")

GTFS will be enhanced by increasing the guarantee to RM3 billion by year 2025 and scope of financing is expanded to include EV sector with a guarantee limit up to 60% and remaining sectors will be increased to 80%.

# Highlights of Budget 2023

## Financing (cont.2)



### Funds from BNM

Funding of RM1 billion under Green and High Technology Financing Fund and Low Carbon Transition Financing Fund will be made available to support innovative sustainable technology start-up and help SMEs companies to implement low carbon practices.



### Micro Financing for Small Businesses

Funding will be provided to various small businesses as follows:

- BSN Micro Loan – RM950 million including RM350 million under Skim Penjaja Kecil Keluarga Malaysia;
- TEKUN – RM300 million for Bumiputera, woman, youth and informal sector;
- Chinese – RM200 million with an interest rate of 4% per annum;
- Indian – RM25 million under Skim Pembangunan Usahawan Masyarakat India and RM100 million under MITRA; and
- iTEKAD – RM10 million with funding through zakat and wakaf contribution.



### Funds for SMEs

RM10 million of funding will be made available for SMEs to encourage automation and digitisation activities as well as supporting the food security and tourism sector recovery agenda.

# Highlights of Budget 2023

## Other Key Initiatives



### Bantuan Keluarga Malaysia ("BKM")

- Assistance to families:
  - a. RM2,500 – households earning less than RM2,500/month with five (5) or more children.
  - b. RM1,000 to RM2,000 – households earning less than RM2,500/month with not more than four (4) children.
  - c. RM500 to RM1,250 - household earning between RM2,500 to RM5,000/month.
- Assistance of between RM300 to RM600 for senior citizens without spouses and singles.
- Additional RM500 for single parent with dependent children.

### e-Pemula (M40) Programme

One-off payment of RM100 will be credited into the e-wallet for M40 group with annual income of less than RM100,000.

### Subsidy for Bantuan Awal Persekolah ("BAP")

Subsidy for BAP will be increased to RM150 and be provided to all students regardless of the household earnings.

### Extension of e-Pemula Programme

One-off payment of RM200 will be credited into the e-wallet for youths aged 18 to 20 as well as full-time students at institutions of higher learning.

# Highlights of Budget 2023

## Other Key Initiatives (cont.1)



### Skim 1 OKU 1 Perniagaan

OKU businesses registered with SSM will be exempted from payment of registration fees and renewal of business license fees.



### Increase of EPF voluntary contribution limit

EPF voluntary contribution limit will be increased from RM60,000 to RM100,000 per year.



### Extension of incentive for Hiring Unemployed Targeted Groups

Employers will be given incentives ranging from RM600 to RM750 per month for providing jobs to the following target groups of people:

- disabled persons;
- Orang Asli;
- ex-convicts;
- women returning to workforce;
- veterans; and
- Replacement of foreign workers with local workers.



### Incentive for Chemical and Petrochemical Industry

Special status will be given to Pengerang Petroleum Complex as an incentive for investment in chemical and petrochemical industry. Under this status, highway network facilities will be improved.

# Highlights of Budget 2023

## Other Key Initiatives (cont.2)



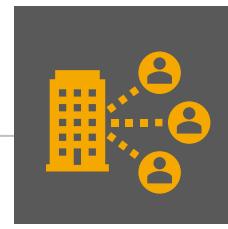
### **Incentive for Hiring Unemployed Youths**

Employers will be given incentive under SOCSO for hiring youth aged between 18 to 30 who have been unemployed for more than three (3) months. The hiring incentive include Technical and Vocational Education and Training's ("TVET") graduates. No details were provided in the Budget Speech.



### **Skim Keselamatan Social Pekerjaan Sendiri ("SKSPS") under SOCSO**

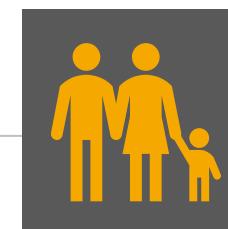
RM130 million will be allocated for the Government to pay for 80% SOCSO contribution of self-employed individuals (e.g. food delivery drivers, farmers, fishermen, FINAS artists and hawkers).



### **Mobility Assistance**

SOCSO will be providing the following mobility assistance to job seekers:

- RM500 – for seeking employment outside their state of residence; and
- RM1,000 - for those involved in long-distance migration from Sabah or Sarawak to the Peninsula or vice versa.



### **"Kasih Suri Keluarga Malaysia" program**

Housewives who make minimum EPF contributions of RM60 per year will get an additional matching incentive from the Government worth up to RM600 per year (i.e. RM480 in EPF savings and RM120 in SOCSO Scheme Contributions).



# Budget 2023 Impact

Detailed Tax measures relating  
to **Businesses**

## 01

### Review of Income Tax Rate for Small and Medium Enterprises ("SMEs")

#### Present

Small and medium-sized companies resident and incorporated in Malaysia which have a paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment and gross business income of not exceeding RM50 million enjoy the preferential tax rate of 17% on the first RM600,000 chargeable income. The remaining chargeable income is taxed at 24%.

#### Proposed

The tax rate on the first RM100,000 chargeable income will be reduced from 17% to 15%. The tax rate for the remaining taxable income will be maintained at 17% and 24% as follows:

Taxable Income	Tax Rate
First RM100,000	15%
RM100,001 – RM600,000	17%
RM600,000 and above	24%

#### Effective Date

From year of assessment ("YA") 2023

#### Commentary

This proposal aims to increase the competitiveness of SMEs and promote economic growth. In addition, taxpayers may take advantage of the lower income tax bracket for SMEs as compared to individuals by registering their businesses as a company instead of an unincorporated enterprise.

## 02

### Introduction of Global Minimum Effective Tax Rate ("ETR") and Qualified Domestic Minimum Top-Up Tax ("QDMTT")

#### Present

Presently, Malaysia has not implemented any global ETR and QDMTT.

#### Proposed

The global minimum ETR of 15% together with QDMTT as recommended under Pillar 2 of BEPS 2.0 will be implemented in the year 2024.

#### Effective Date

To be advised upon issuance of finance bill.

The global minimum ETR of 15% will only be applicable to large multinational enterprises ("MNE") and Malaysian conglomerates whose annual global revenue exceeds the threshold of EUR 750 million. The introduction of the global minimum ETR will require the Malaysian government to restructure its tax incentive regime whereby Malaysian companies currently enjoying tax incentives that have an effective tax rate of below 15% may potentially result in Malaysia losing its taxing rights over these companies to the home country of the MNE's holding company.

To plug the potential tax leakages, the government has set a target of the year 2024 to implement the QDMTT, subject to further studies to be conducted. The implementation of QDMTT will enable Malaysia to have priority in charging the top-up taxes if a company under Malaysian jurisdiction has an effective tax rate that is below 15%, thus preventing Malaysia from losing the tax rights to a foreign country.

It remains to be seen how these proposals will be implemented in Malaysia and we look forward to receiving further information from the Ministry of Finance and Inland Revenue Board of Malaysia.

## 03

### Expansion of definition of plant for capital allowance purposes

#### Present

With effect from YA 2021, the definition of plant has been introduced under Paragraph 70A of Schedule 3 of the ITA as “an apparatus used by a person for carrying on his business, **but does not include** a building, **an intangible asset**, or any asset used and that functions as a place within which a business is carried on”.

#### Proposed

The definition of plant will be expanded to include intangible assets such as software.

#### Effective Date

To be announced.

#### Commentary

With the proposed amendment, taxpayers who incur capital expenditure on software assets will be eligible to claim capital allowances under Schedule 3 of the ITA.

## 04

### Claim of unabsorbed business losses for sectors with long gestation period

#### Present

From YA 2019, unabsorbed business losses in a YA are allowed to be carried forward for a maximum period of seven (7) consecutive YAs and the balance if any, shall be disregarded. The accumulated unabsorbed losses up to YA 2018 can be carried forward until YA 2028. Companies having projects with long gestation periods are allowed to carry forward their losses for a maximum period of ten (10) consecutive YAs.

#### Proposed

Companies in sectors with long gestation periods such as forest plantations and hydroelectric projects are allowed to carry forward their unabsorbed business losses for a maximum period of twenty (20) consecutive YAs instead of ten (10) consecutive YAs.

#### Effective Date

To be announced.

Companies in forest plantations and hydroelectric sectors are usually capital intensive and have long profit gestation periods. As such, the existing tax treatment on unabsorbed business losses may not be favourable to companies in these sectors as the companies will have a huge amount of capital allowances to be utilised to arrive at statutory income before the statutory income can be used to set off against the unabsorbed business losses.

The proposed measure to extend the carry forward period to twenty (20) consecutive YAs will definitely help to ease the burden of companies with long profit gestation periods as the investment may not generate returns within ten (10) years.

## 05

### Tax deduction for rental of electric vehicles

Companies renting non-commercial motor vehicles, including electric vehicles ("EVs"), are given tax deduction under Section 39(1)(k) of the Income Tax Act, 1967 as follows:

Present

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

Proposed

The maximum rental amount for EVs allowed for tax deduction is limited to RM300,000 per vehicle.

Effective Date

From YA 2023 to YA 2025

Commentary

This shows that the Government is committed to achieving zero greenhouse gas emissions as early as 2050 by encouraging the use of electric vehicles in order to reduce carbon emissions in Malaysia.

## 06

### Tax deduction for sponsorship of smart artificial intelligence ("AI")-driven reverse vending machine

Present

Tax deductions 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 to increase the income of the poor as well as environmental preservation/conservation projects. The 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.

Proposed

Tax deduction under Section 34(6)(h) of the ITA will be given to companies, individuals, partnerships, trusts and cooperatives with business income that make donations or sponsorships of AI-Driven Reverse Vending Machine (RVM).

Effective Date

For contributions/ sponsorships and applications received by Ministry of Finance from 1 January 2023 until 31 December 2024.

Commentary

This proposal is in line with the Malaysia's Plastics Sustainability Roadmap 2021 to 2030 by encouraging the public to make donations/ sponsorship to the development of AI-driven RVM. The development of AI-Driven RVM can help to support the recycling of plastic waste as an economic resource and to ensure that the collected-for-recycling rate can be increased through a more effective and organised plastic waste collection programme.

## 07

### **Tax deduction on issuance cost of Sustainable and Responsible Investment linked (“SRI-linked”) Sukuk**

Present

Currently, there is no tax deduction for the issuance cost of SRI-linked Sukuk. However, there is a tax deduction for the expenditure incurred on the issuance or offering of SRI sukuk approved by or authorised by, or lodged with, the SC. The tax deduction is applicable to SRI Sukuk in which ninety percent (90%) of the proceeds raised from the issuance or offering of the SRI Sukuk are used solely for the purpose of funding SRI projects as specified in the guidelines by the SC.

Proposed

Tax deduction will be given on the issuance cost incurred by the issuer of SRI-linked Sukuk which is approved or authorised by, or lodged with, the SC for a period of five (5) years.

Effective Date

From YA 2023 until YA 2027.

Commentary

This proposal will facilitate fundraising by companies in addressing sustainability concerns with features that relate to the issuer's sustainability performance commitments. This initiative will promote Environmental, Social and Governance (“ESG”) awareness among companies in accordance with the Government's sustainability goal of Net Zero carbon emission target by 2050.

## 08

### Expansion of scope for green technology tax incentives

Present

In Budgets 2020 and 2022, tax incentives for green technology were reviewed as follows:

i. Green Investment Tax Allowance (“GITA”)

Investment tax allowance of 100% on capital expenditure for qualified green activities for three (3) YAs. This allowance is deductible against 70% of statutory business income.

ii. Green Investment Tax Exemption (“GITE”)

- Income tax exemption of 70% on statutory business income for qualified green service activities for three (3) YAs; and
- New tax incentive for solar leasing activities introduced with income tax exemption of 70% on statutory business income up to ten (10) YAs, is given to solar leasing companies certified by the Sustainable Energy Development Authority (“SEDA”).

This tax incentive is granted for applications received by the Malaysian Investment Development Authority (“MIDA”) from 1 January 2020 to 31 December 2023.

## 08

### Expansion of scope for green technology tax incentives (cont'd)

The existing tax incentives for qualifying green activities under GITA and GITE will be reviewed based on the “*tiering approach*” as follows:

	Incentive	Tier 1	Tier 2
Proposed	GITA	<b>Qualifying activities other than solar, and solar + Battery Energy Storage System (“BESS”)</b>	<b>Qualifying activities related to solar</b>
		<u>Project and Green Building</u> ITA of 100% on capital expenditure for qualifying green activities for a period of <b>5 years</b> .  <u>Asset</u> ITA of 100% capital expenditure for a period of <b>5 years</b> . This allowance can be set-off against 70% of statutory income.	<u>Asset and Project</u> ITA of 60% on capital expenditure for qualifying green activities for a period of <b>3 years</b> .  This allowance can be set-off against 70% of statutory income.
	GITE	<b>Qualifying activities other than solar, and solar + BESS services</b>	<b>Qualifying activities related to solar</b>
		Income tax exemption of 70% on statutory income or qualifying green services for a period of <b>5 years</b> of assessment.  <u>Solar leasing</u> Income tax exemption of 70% on statutory income for a period of up to 10 years.	Income tax exemption of 70% on statutory income for qualifying services for a period of <b>3 years</b> of assessment.

## 08

### Expansion of scope for green technology tax incentives (cont'd)

#### Effective Date

Extended for another two (2) years, i.e., for applications received by MIDA from 1 January 2024 to 31 December 2025.

#### Commentary

This proposed measure will provide continuous support for green technology development initiatives which are in line with the Green Technology Master Plan Year 2017 to Year 2030. Additionally, the proposed measures will encourage more companies to invest in green technology which will eventually create a better and more sustainable living environment apart from being able to support the agenda for Sustainable Development Goals ("SDGs") 2030, i.e. Goal 6: Clean Water and Sanitation, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption and Production.

## 09

### Tax Incentives for Manufacturers of Electric Vehicle ("EV") Charging Equipment

Present

Malaysia is actively promoting electric mobility ecosystem in line with the National Automotive Policy 2020 and the Low Carbon Mobility Blueprint 2021 – 2030. Presently, there is no tax incentive given to manufacturers of EV charging equipment.

Proposed

With the purpose of further complementing the EV ecosystem and to attract immediate high-value investment in the manufacturing of EV charging equipment, the following proposed tax incentives will be given:

- i. 100% income tax exemption on statutory income from YA 2023 to YA 2032\*; or
- ii. Investment Tax Allowance of 100% for a period of five (5) years which can be set-off against up to 100% of the statutory income for each YA.

*\* Note: Companies that make early investments are eligible to enjoy tax exemption for a period up to ten (10) years. Meanwhile, companies that make investments after the year of assessment 2023 are eligible to enjoy the remaining exemption period only.*

Effective Date

For applications received by the Malaysian Investment Development Authority ("MIDA") from 8 October 2022 until 31 December 2025..

Commentary

This proposal would encourage more EV charging stations to be set up around the nation to promote popularisation of EV that will lead to lower carbon emissions and a cleaner environment.

### Review of tax incentives for automation in manufacturing and services sectors

Manufacturing and services companies which incur qualifying capital expenditure on automation equipment are given the following tax incentives:

Category	Rates of incentives	Capital expenditure threshold	Incentive period	Additional requirement
<b>Present</b>  <b>Category 1:</b> Manufacturing companies in labour intensive industries	100% accelerated capital allowance ("ACA") and 100% income tax exemption ("ITE") equivalent to the ACA	Up to RM 4 million	YAs 2015 to 2023	The tax incentive is for applications received by Malaysian Investment Development Authority ("MIDA") until 31 Dec 2023.
	100% ACA and 100% ITE equivalent to the ACA	Up to RM 2 million	Category 2: YAs 2015 to 2023 Services sector: YAs 2020 to 2023	

## 10

### Review of tax incentives for automation in manufacturing and services sectors (cont.)

#### Proposed

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 sector be aligned and increased up to RM10 million.

#### Effective Date

For applications received by MIDA and Ministry of Agriculture and Food Industries from 1 January 2023 until 31 December 2027.

#### Commentary

It is worthy for companies to understand that the Automation CA incentive in terms of tax allowance is double the cost of the investment in the automation equipment. Nevertheless, when comparing the size of investment by companies and the maximum amount of capital expenditure allowed for Automation CA, the benefits from other mutually exclusive incentives may outweigh Automation CA. Hence, it is advisable for companies to prepare simple simulations to assess the amount of incentives claimable and select the optimal incentives which work best for them. Selection of the best incentive will help companies to save tax costs.

## 11

### Introduction of new schedule for reinvestment of hotel and selected tourism projects under Income Tax Act 1967 (“ITA”)

Present

Reinvestment Allowance (“RA”) is given to manufacturing and selected agriculture sectors under Schedule 7A, ITA for expansion, diversification, modernisation and automation. RA is given at 60% on qualifying capital expenditure (“QCE”) for a period of fifteen (15) years consecutively and to be set-off against 70% of statutory income. This RA can be claimed through the Income Tax Return Form.

There is no RA given for services sector under ITA 1967.

Proposed

A new schedule for reinvestment into hotel and selected tourism projects under ITA be introduced and given RA at 60% on QCE for a period of five (5) years consecutively and to be set-off against 70% of statutory income. This tax incentive is for 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 park and convention centres with a capacity of at least 3,000 participants and registered with MOTAC.

This RA can be claimed through the Income Tax Return Form.

Effective Date

From YA 2023 to YA 2027

Previously, RA was not given to hotel and selected tourism projects players. In order to enjoy tax incentives, the hotel and tourism project players need to make application to the MIDA for the Investment Tax Allowance (“ITA”). However, the conditions for ITA is far more difficult to achieve as compared to RA.

This proposed schedule for RA incentive will provide a new tax saving measure and encourage hotel and selected tourism project players to reinvest in their businesses. Nonetheless, the IRB should publish clear and detailed guidelines to assist taxpayers to claim the said RA.

Commentary

## 12

### Review of tax incentive for tour operators

Present

During the budget announcement in 2018, tour operators are given tax incentives as follows:

- i. tax exemption of 100% on statutory income derived from the business of operating tour packages to Malaysia with participation of at least 750 inbound tourists per year; and
- ii. tax exemption of 100% on statutory income derived from the business of operating tour packages within Malaysia with participation of at least 1,500 local tourists per year.

During the COVID-19 pandemic, the tax incentive was reviewed as follows:

- i. Extended for a period of two (2) years from the YA 2021 to YA 2022; and
- ii. Tourism packages within Malaysia with participation of at least 200 local tourists per year and nil for inbound tourists for tourism packages to Malaysia.

Proposed

The incentive conditions will be changed to the following:

- 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

For the YA 2023

Commentary

In view that Malaysia is slowly transitioning into the endemic phase of Covid-19 and the borders have opened for travel, the Government has reviewed and extended the tax incentive in order to boost tourism activities in Malaysia. However, tour operators are required to obtain more tourists locally as well as overseas in order to qualify for the tax incentive.

## 13

### Tax Incentive for Relocation of E&E Sector Investors to Malaysia

#### Present

Currently, a preferential tax rate of 15% for a period of five (5) years is provided to foreign individuals employed in the C-Suite level or key positions in the electrical and electronic ("E&E") sector companies which relocate their overseas operations into Malaysia.

#### Proposed

The existing preferential tax rate of 15% for eligible foreign individuals employed in the E&E sector companies will be extended until 2024.

#### Effective Date

To be extended until 2024.

#### Commentary

The government has identified an opportunity arising from the current geopolitical uncertainty and disruptions to the global supply chain, and has taken the initiative to provide incentives to encourage affected E&E sector companies to relocate their operations to Malaysia.

With more E&E sector companies in Malaysia, the supply of electrical and electronic components in Malaysia will increase and help alleviate the current shortage of such components which has a significant impact on the manufacturing industry in Malaysia and overseas.

### Tax incentives for carbon capture and storage

Present

Under the National Energy Policy 2022 - 2040, Malaysia envisages to achieve Low Carbon Nation Aspiration by the year 2040. In line with this target, 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 comprise 3 activities as follows:

- i. Carbon capture;
- ii. Transportation of captured CO2; and
- iii. Underground or sea bed carbon storage.

Proposed

To recognise CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emissions, 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 which can be set-off against up to 100% of business statutory income;
  - b) Full import duty and sales tax exemption on equipment for CCS technology commencing from 1 January 2023 until 31 December 2027; and
  - c) Tax deduction for allowable pre-commencement expenses incurred within 5 years prior to the date of commencement of operations.
- ii. Companies undertaking CCS services
  - a) ITA of 100% of qualifying capital expenditure for a period of 10 years which can be set-off against up to 100% of statutory income; or
  - b) Tax exemption of 70% on statutory income for a period of 10 years; and
  - c) Full import duty and sales tax exemption on equipment for CCS technology from 1 January 2023 to 31 December 2027.
- iii. Companies using CCS services be given tax deduction on fees incurred for use of CCS services.

## 14

### Tax incentives for carbon capture and storage (cont.)

#### Effective Date

- i. For applications received by the Ministry of Finance from 1 January 2023 until 31 December 2027.
- ii. Tax deduction can be claimed through the Income Tax Return Form from the YA 2023 until YA 2027.

#### Commentary

With the introduction of this tax incentive, companies will be encouraged to comply with the Environmental, Social and Governance (“ESG”) framework. Furthermore, as mentioned in the budget speech, the Government is currently reviewing the carbon tax mechanism. Therefore, taxpayers that use CCS technology will be more equipped once the carbon taxes are implemented in Malaysia in the future.

## 15

### Excise Duty Exemption for Purchase of Tourist Vehicles

#### Present

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

#### Proposed

It is proposed a 50% excise duty exemption be given on the purchase of new locally assembled tourism vehicles as follows:

- hire and drive cars for tourists; and
- excursion buses.

#### Effective Date

For applications received by MOF from 1 January 2023 to 31 December 2024.

#### Commentary

This proposed measure is in line with the Government intention to support the recovery of the tourism industry that has been affected by the Covid-19 pandemic.

## 16

### Service Tax Exemption on Digital Services Related to Banking/Financial Services

Present

Digital services related to banking/financial services provided by local financial institutions/banks licensed under the 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 starting from 1 January 2020.

Proposed

Service tax exemption be given to:  
i. recipients of digital payment services; and  
ii. local non-financial institutions/banks digital payment service providers (i.e. payment instrument issuers, merchant acquirers, payment system operators).

Effective Date

From 1 August 2022 to 31 July 2025.

Commentary

The expansion of exempted digital services is meant to streamline the tax treatment on digital services related to banking/financial services provided by local financial institutions/banks and local non-financial institutions/banks' digital payment service providers.



# Budget 2023 Impact

Detailed tax measures relating to  
**Individuals**

## 01

### Review of Resident Individual Income Tax Rates

Effective from YA 2021, the income tax structure for resident taxpayers is based on the progressive rates ranging from 0% to 30% on chargeable income as tabulated below:-

Chargeable Income (RM)	Current Tax Rates (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	13
70,001 - 100,000	21
100,000 - 250,000	24
250,000 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,000 - 2,000,000	28
2,000,000 and above	30

Present

## 01

### Review of Resident Individual Income Tax Rates (cont.)

It is proposed that the resident individual income tax rate be reduced by 2 percentage points for each taxable income range between RM50,001 to RM100,000.

To make the individual tax structure more progressive, it is proposed that the income tax rate for resident individuals in the taxable income range between RM250,001 to RM400,000 be increased by 0.5 percentage points.

Proposed

Chargeable Income (RM)	Current		Proposed		Tax Savings	
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)	(%)
0 - 5,000	0	-	-	-	0	0
5,001 - 20,000	1	150	1	150	0	0
20,001 - 35,000	3	600	3	600	0	0
35,001 - 50,000	8	1,800	8	1800	0	0
<b>50,001 - 70,000</b>	<b>13</b>	<b>4,400</b>	<b>11</b>	<b>4,000</b>	<b>400</b>	<b>9.1</b>
<b>70,001 - 100,000</b>	<b>21</b>	<b>10,700</b>	<b>19</b>	<b>9,700</b>	<b>1,000</b>	<b>9.3</b>
100,000 - 250,000	24	46,700	24	45,700	1,000	2.1
<b>250,000 - 400,000</b>	<b>24.5</b>	<b>83,450</b>	<b>25</b>	<b>83,200</b>	<b>250</b>	<b>0.3</b>
<b>400,001 - 600,000</b>	<b>25</b>	<b>133,450</b>	<b>25</b>	<b>133,200</b>	<b>250</b>	<b>0.2</b>
<b>600,001 - 1,000,000</b>	<b>26</b>	<b>237,450</b>	<b>26</b>	<b>207,200</b>	<b>250</b>	<b>0.1</b>
<b>1,000,000 - 2,000,000</b>	<b>28</b>	<b>517,450</b>	<b>28</b>	<b>517,200</b>	<b>250</b>	<b>0</b>
2,000,000 and above	30		30			

## 01

### Review of Resident Individual Income Tax Rates (cont.)

Effective Date

From the YA 2023.

Commentary

Tax resident individuals with taxable income above RM50,000 will enjoy additional tax savings following the proposed 2% reduction in the individual income tax rate on each taxable income range between RM50,001 to RM100,000. With this special income tax treatment, it is seen that the middle-income group will enjoy tax savings of up to RM1,000, and the high-income group will enjoy tax savings of up to RM250.

At the same time, the Government has proposed to increase 0.5% of the income tax rate for resident individuals with a chargeable income range between RM250,001 to RM400,000.

## 02

### **Extension of period for income tax exemption for women returning to work after career break**

Present

Currently, women returning to work after a career break are given income tax exemption on employment income received for a maximum of 12 consecutive months, subject to the following conditions:

- i. return to work after a career break for a period of at least two (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 YA 2018 until the YA 2024.

Proposed

It is proposed that the period of income tax exemption be extended until YA 2028 provided that:

- I. career break of at least two (2) years on the date of application received by Talent Corporation Malaysia Berhad; and
- II. the applications must be received by Talent Corporation Malaysia Berhad from 1 January 2023 until 31 December 2027.

Effective Date

YA 2023 until 2028.

Commentary

This proposal aims to encourage more women to return to work and help in the recovery of the labour market.

## 03

### Review of stamp duty exemption for transfer of property by way of love and affection

Present

Full stamp duty exemption is given on instruments for transfer of real property between husband and wife whereas a remission of 50% stamp duty is given on the instrument for transfer of real property between parents and children of Malaysian citizenship. Gifts between grandparents and grandchildren are not exempted from stamp duty.

Proposed

It is proposed that the instruments of transfer of real property by way of love and affection between husband and wife, parents and children, as well as grandparents and grandchildren be imposed a fixed stamp duty of RM10 on the condition that the recipient of the property is a Malaysian citizen.

Effective Date

From 1 January 2023.

Commentary

With such an amendment, the treatment of stamp duty for the transfer of real property by way of love and affection will be streamlined. In addition, the proposed changes will align with the similar tax treatment under the Real Property Gains Tax ("RPGT") where transfers by way of love and affection will be treated as "no gain no loss" transactions i.e. no RPGT is payable.

## 04

### Import Duty and Sales Tax Exemptions for Purchase of Nicotine Replacement Therapy Products

The import duty and sales tax on nicotine replacement therapy products are as follows:

Present

Product	Tariff code	Import duty	Sales Tax
Nicotine Gum	2404.91.1000	15%	5%
Nicotine Patch	2404.92.1000	0%	10%

Proposed

Import duty and sales tax exemption will be given to nicotine gum and nicotine patch for a period of five (5) years.

Effective Date

For applications received by MOF from 1 January 2023 to 31 December 2027.

Commentary

Smoking is one of the major risk factors for cardiovascular diseases, chronic respiratory diseases, cancers, and diabetes. Smokers can quit smoking by participating in the mQuit Programme which is one of the practical ways to break the addiction. This initiative is introduced to support the mQuit Programme and encourage the use of NRT as an option for smoking cessation.

# Conclusion

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The various measures introduced in Budget 2023 are timely to support businesses and the *rakyat* as we look ahead to the year 2023. Through the four strategic areas and the 3R principles, Budget 2023 represents this government's last attempt to stabilize the ship as we deal with challenges and opportunities arising from the post-pandemic TIDE. Despite underlying uncertainties and strong economic headwinds, Budget 2023 provides all levels of the Malaysian society with some supportive measures to deal with today's challenges – which is indeed a welcomed sight.

Even though Budget 2023 touches on the right economic notes, much remains to be done to put the country back on the right track. As such, we hope that our clients and stakeholders take this opportunity to re-evaluate their priorities and take advantage of some of the measures introduced by the government. Through careful positioning and analysis, we believe our clients and the wider business community can benefit from these measures to safeguard their current positions and unlock potential growth prospects in the year ahead.





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