

MDBC Penang : Deloitte 2023 Budget Briefing

9 March 2023





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MDBC Penang : Deloitte 2023 Budget Briefing

2023 Budget highlights : Individual, Corporate and other taxes, Incentives





Agenda

Time	Title	Speakers
2.00pm – 2.15pm	Opening speech	Ng Lan Kheng & Marco Winter
2.15pm – 2.30pm	Individual Tax	Au Yeong Pui Nee
2.30pm – 3.00pm	Corporate Tax	Tan Wei Chuan / Lee Kok Jiunn
3.00pm – 3.30pm	Incentives	Tan Wei Chuan / Lee Kok Jiunn
3.30pm – 3.45pm	Indirect Tax	Julian Ong Gim Lim
3.45pm – 4.00pm	Q&A session	

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Individual Tax

Basis of taxation

- Individual income tax



Scope of taxation

- Territorial scope
- Only income accrued in / derived from Malaysia.



Scope of taxation

An individual will be subject to tax in Malaysia :-

- i. as long as he is having or exercising an employment in Malaysia; and
- ii. Regardless of where his remuneration is being paid from.



Basis period

Basis year for a year of assessment (YA) is the current calendar year ending 31 December.

Example:

Basis year for 2022

1 Jan 2022 to 31 Dec 2022



Tax filing & payment deadline

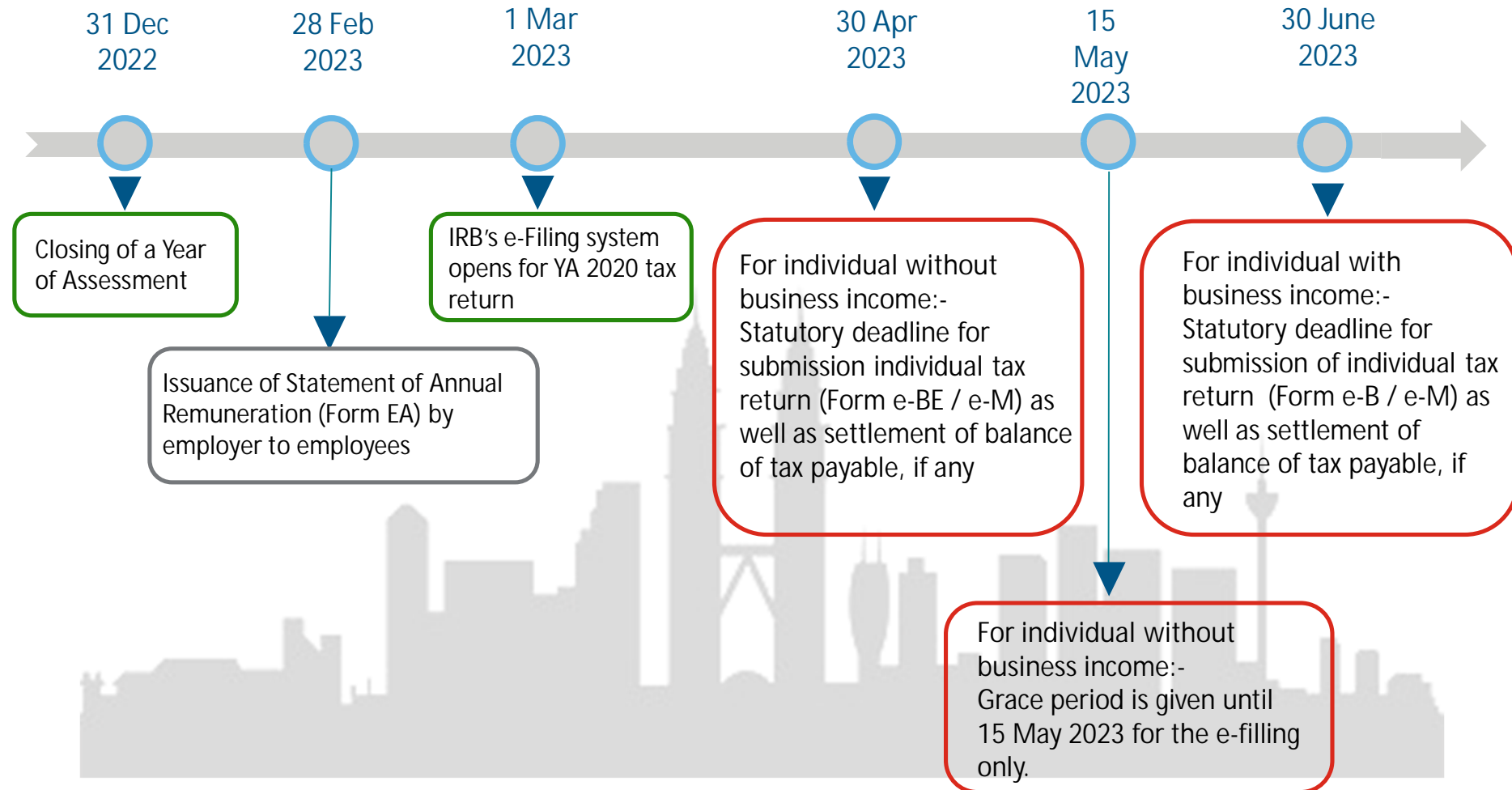
- For individuals with employment income only - 30 April of the following year
- For individuals with business income - 30 June of the following year

Importance:

- i. Basic concepts of income tax
- ii. Expatriates' employment income is taxed in Malaysia if they work in Malaysia (location), regardless of where they are paid or where they are employed

Malaysia Tax Reporting – Important Dates

Year of Assessment 2022



Change in income tax rates for resident individuals

Chargeable income	2022 Current Tax Rate (%)	2023 Proposed Tax Rate (%)	
0 – 5,000	0	0	
5,001 – 10,000	1	1	
10,001 – 25,000	3	3	
35,001 – 50,000	8	6	↓ 2%
50,001 – 70,000	13	11	↓ 2%
70,001 – 100,000	21	19	↓ 2%
100,001 – 250,000	24	25	↑ 1%
250,001 – 400,000	24.5	25	↑ 0.5%
400,001 – 600,000	25	26	↑ 1%
600,001 – 1,000,000	26	28	↑ 2%
1,000,001 – 2,000,000	28	28	
2,000,001 and above	30	30	

Tax impact

Illustrative scenarios

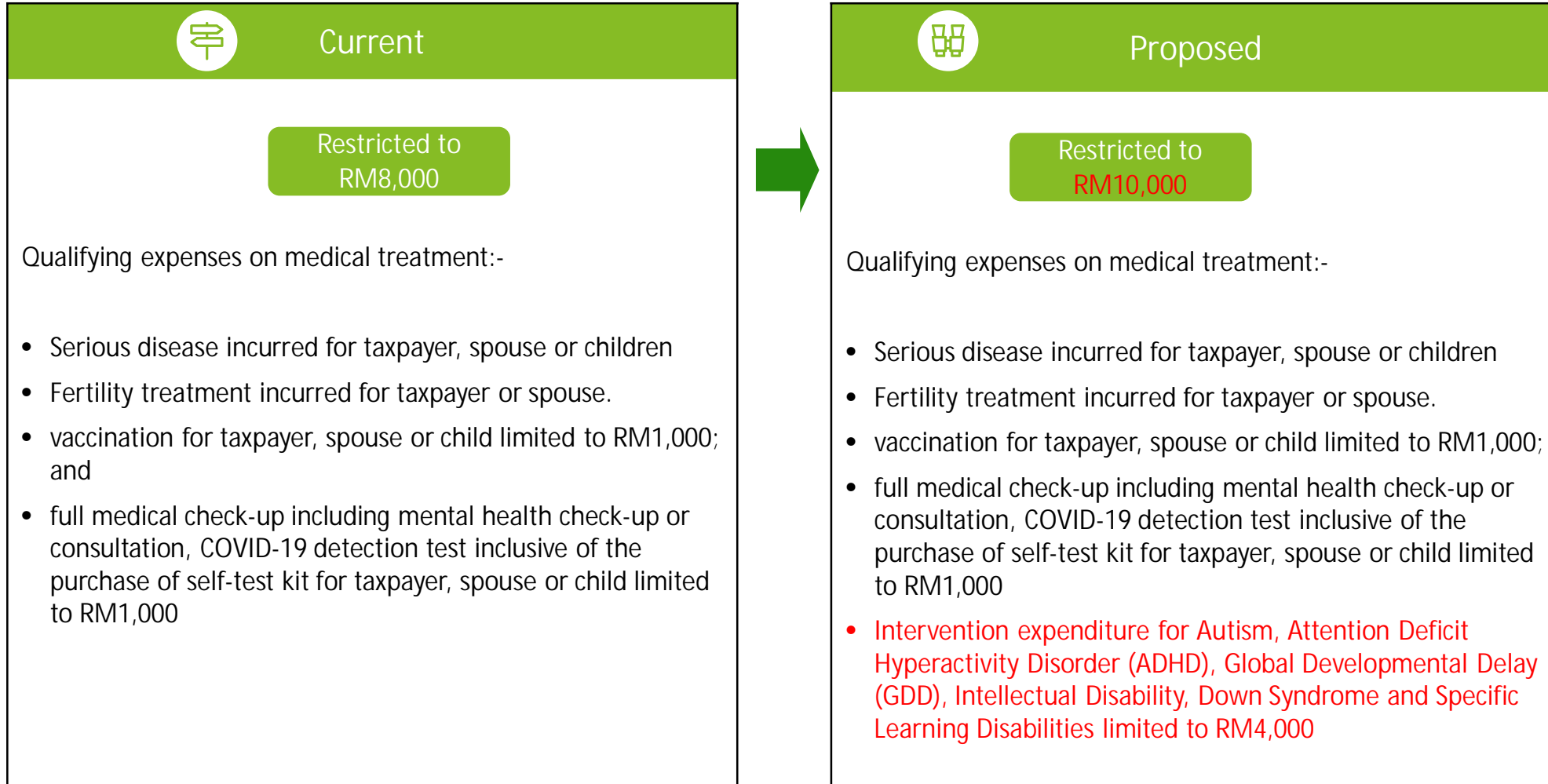
	Scenario 1	Scenario 2	Scenario 3
Monthly income*	RM20,916	RM50,000	RM85,000
Yearly gross income	RM250,992	RM600,000	RM1,020,000
Tax computation			
Chargeable income (net of tax relief: Personal relief RM9k, spouse 4k, children 4k and EPF 4k)	RM229,992	RM579,000	RM999,000
Tax payable (YA 2022)	RM41,898	RM128,200	RM237,190
Tax payable (YA 2023)	RM41,898	RM130,940	RM284,120
Comparison	Breakeven point (no change in tax)	Increase in tax RM2,740	Increase in tax RM10,930

*Assumed married, spouse has no source of income and 2 dependent children

Tax Relief

Tax relief on medical treatment expenses

Proposed amendment Section 46(1)(h) of the Income Tax Act, 1967



Tax relief on Employees Provident Fund (EPF) contributions

Proposed amendment Sections 49(1) and 49(1A) of the Income Tax Act, 1967



Current		
Life insurance and EPF Restricted to RM7,000		
Allowable Relief:-		
	Other than Public Servant	Public Servant
Contribution to EPF (not including private retirement fund) or contribution under any written law	Restricted to RM4,000	Not applicable
Life insurance premium payment and Takaful contributions	Restricted to RM3,000	Restricted to RM7,000
	Maximum RM7,000	



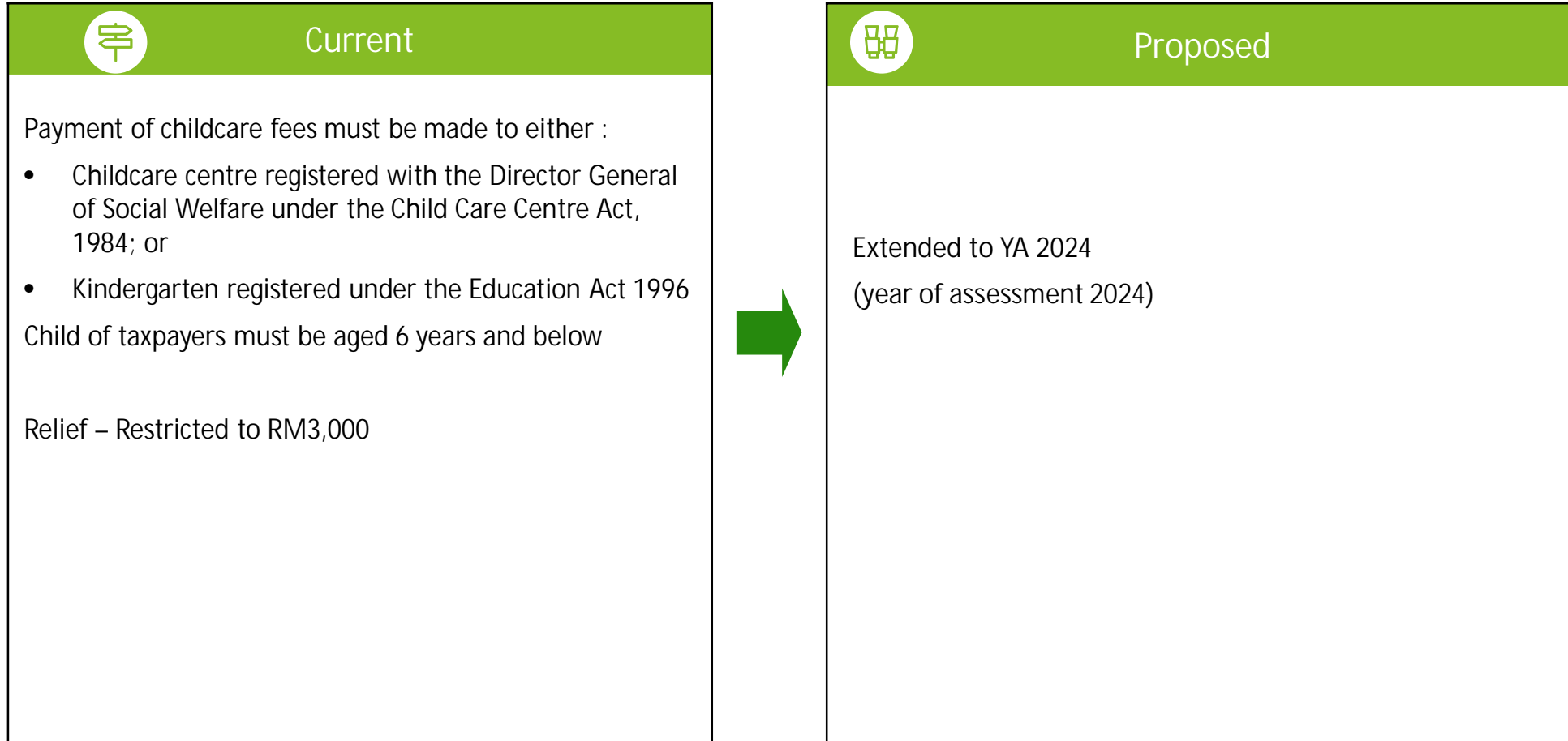
Proposed		
Life insurance and EPF Restricted to RM7,000		
	Other than Public Servant	Public Servant
Mandatory Contribution to EPF (not including private retirement fund) or contribution under any written law	Restricted to RM4,000	Not applicable
Life insurance premium payment and Takaful contributions or additional voluntary contribution to EPF or both	Restricted to RM3,000	Restricted to RM7,000
	Maximum RM7,000	

Extension of Tax Relief / Others

Special income tax rate for non-citizen individuals holding key positions in companies investing in new strategic investments

 Current	 Proposed
<ul style="list-style-type: none">• For applications received by MIDA from 7 November 2020 to 31 December 2022• Special tax rate of 15% for 5 consecutive years.• Up to 5 non-citizen individuals who hold key or C-suite positions in the company if they meet the stated requirements:<ul style="list-style-type: none">○ Individual receives a monthly salary of not less than RM25,000○ Individual is a tax resident in Malaysia during which the 15% flat income tax rate applies	<p>Extended: For applications received by MIDA up to 31 December 2024 (year of assessment 2024)</p>

Tax relief : Expenses incurred for childcare fees



Corporate Tax

Capital Gains Tax



Proposed

Capital gains tax on disposal of unlisted shares by companies



Effective date

From Year 2024

Tax rate for Micro, Small & Medium Enterprise ("MSME")

Effective Year of Assessment 2023

Current	
Chargeable Income (RM)	Current Tax Rate (%)
-	-
First 600,000	17
600,001 and above	24

Proposed	
Chargeable Income (RM)	Proposed Tax Rate (%)
First 150,000	15
150,001 – 600,000	17
600,001 and above	24

Rental deduction for non-commercial Electric Vehicles (EV)



Current

Section 39(1)(k), ITA 1967 :-

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



Proposed

The maximum tax-deductible rental expense for non-commercial EV is increased to RM300,000.



Effective Date

From Year of Assessment 2023 to Year of Assessment 2025

Extension of existing tax incentive for childcare



Proposed

The Government is considering extending tax incentives for childcare allowances and the cost of setting up childcare centres in the workplace



Effective Date

To be confirmed

Issuance cost of Sustainable and Responsible Investment Linked Sukuk



Proposed

Tax deduction on the cost of issuing Sustainable and Responsible Investment Linked Sukuk that is approved or permitted or deposited with the Securities Commission Malaysia be given for 5 years



Effective Date

From Year of Assessment 2023 until
Year of Assessment 2027

Cost of listing on Bursa Malaysia



Current

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

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



Proposed

- Extension of existing tax deduction (up to RM1.5 million) on the cost of listing on the ACE and LEAP Markets for technology-based companies and MSME respectively.
- Also applies to cost of listing of technology-based companies on BURSA Main Market



Effective Date

Extended for 3 years from Year of Assessment 2023 to Year of Assessment 2025

Tax Incentives



Proposed

Investment incentives will be restructured towards tiered tax rates based on outcomes, in line with the New Industrial Master Plan 2030 (to be announced in third quarter of 2023) that would place emphasis on high quality activities and recruitment of local talent.



Effective Date

To be confirmed

Special tax deduction for expenditure on Malaysian-made handicraft

(local handicraft products such as songket decorations, ceramic and wood-based products in hotel premises)

Current

- Schedule 3, ITA 1967 – First purchase of qualifying asset is given capital allowance
- Section 33, Income Tax Act 1967 – Subsequent purchase for replacement of the asset valued less than RM2,000 is given tax deduction.



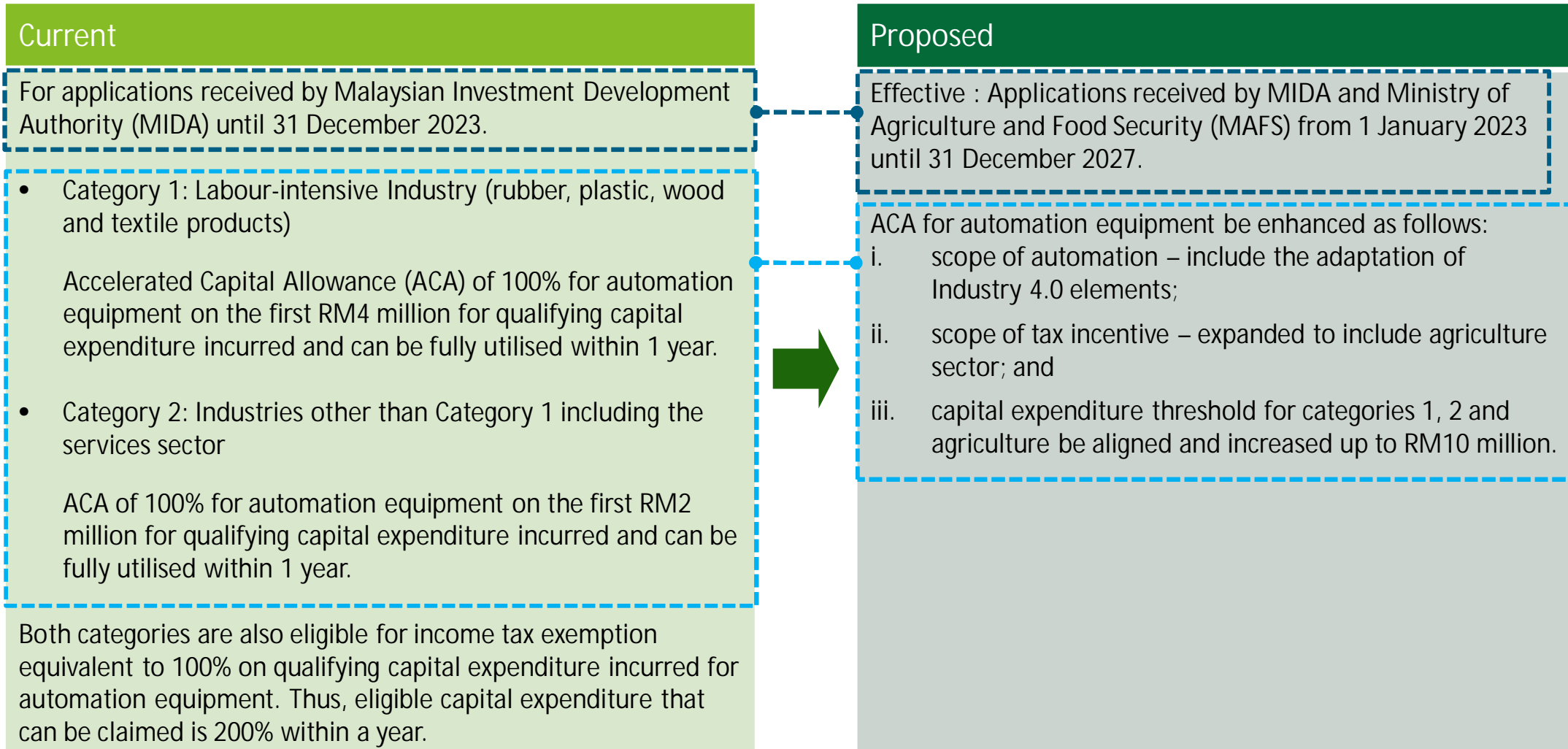
Proposed

- Special tax deduction up to RM150,000 for qualified Malaysian-made handicraft purchased from local handicraft entrepreneur registered with Perbadanan Kemajuan Kraftangan Malaysia.

Effective : For qualifying handicraft products expenditure incurred from 1 January 2023 until 31 December 2025.

(Note : This deduction does not apply to expenditure that has been claimed under Section 33 or Schedule 3 of the Income Tax Act 1967.)

Accelerated Capital Allowance (ACA) for automation equipment in manufacturing, services and agriculture sector



Tax incentives for chicken rearing in closed house system

Current

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

This RA was given until year of assessment 2010.



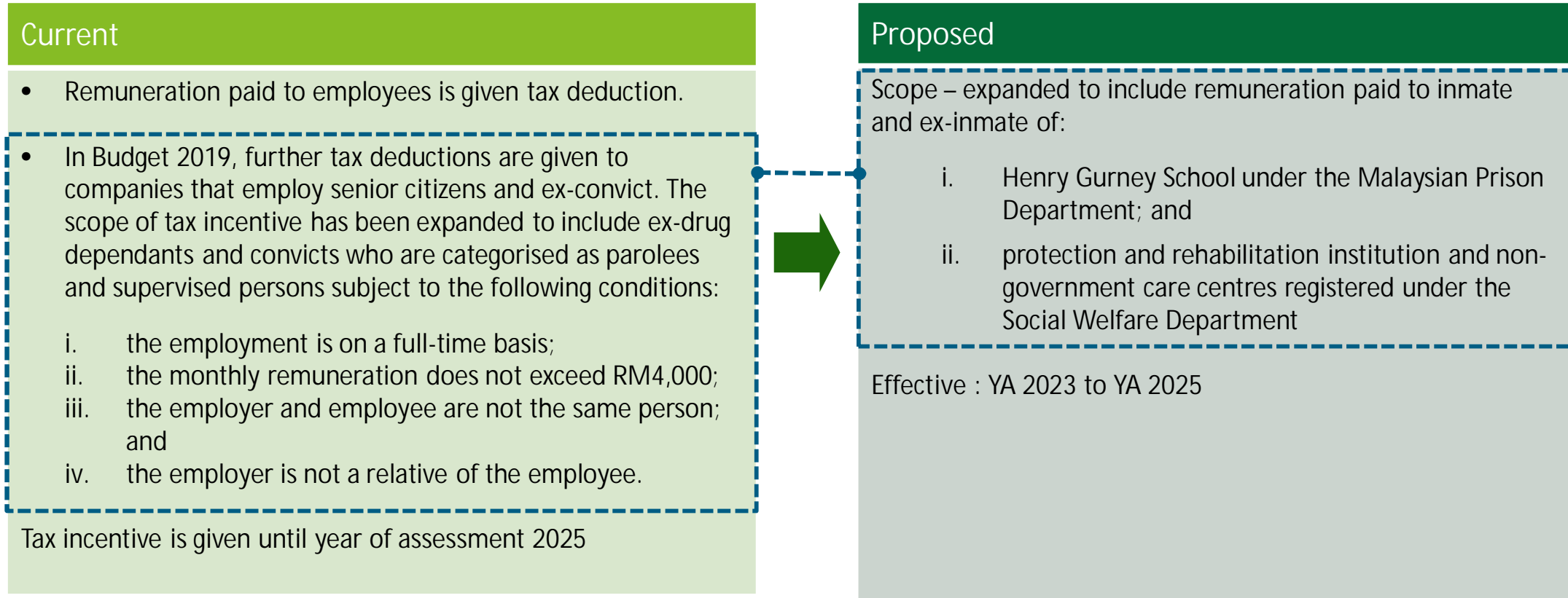
Proposed

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

For the qualifying capital expenditure incurred from YA 2023 until YA 2025. Thus, qualifying capital expenditure that can be claimed amounting to 200% within a year.

Effective : YA 2023 until YA 2025

Expansion of scope of tax deduction for the employment of inmate and ex-inmate



Tax deduction for sponsorship of Smart Artificial Intelligence (AI) – Driven Reverse Vending Machine

Current

Section 34(6)(h) of the ITA 1967 – 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 of education, health, housing, infrastructure, ICT or maintenance of a building designated as a heritage site, projects to increase the income of the poor as well as environmental preservation/conservation projects.



Proposed

Section 34(6)(h) of the ITA 1967 - given to companies and other than companies (individuals, partnerships, trusts and cooperatives that have business income) that make donations or sponsorships of Artificial Intelligence (AI) - Driven Reverse Vending Machine.

Effective : For contribution/sponsorship and application received by Ministry of Finance from 1 April 2023 until 31 December 2024.

Manufacturer of EV charging equipment



Proposed

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



Effective Date

Applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025

Tax Incentives for Carbon Capture and Storage (CCS)



Proposed

- i. Companies undertaking CCS in-house activity be given:
 - a. Investment Tax Allowance (ITA) ITA of 100% of qualifying capital expenditure for 10 years and can be set-off against up to 100% of statutory business income;
 - b. Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027; and
 - c. Tax deduction for allowable pre-commencement expenses within 5 years from the date of commencement of operation
- ii. Companies undertaking CCS services be given:
 - a. ITA of 100% of qualifying capital expenditure for 10 years and can be set off against up to 100% of statutory business income; or
 - b. Income tax exemption of 70% on statutory income for 10 years; and
 - c. Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027
- iii. Tax deduction on fees incurred for use of CCS services

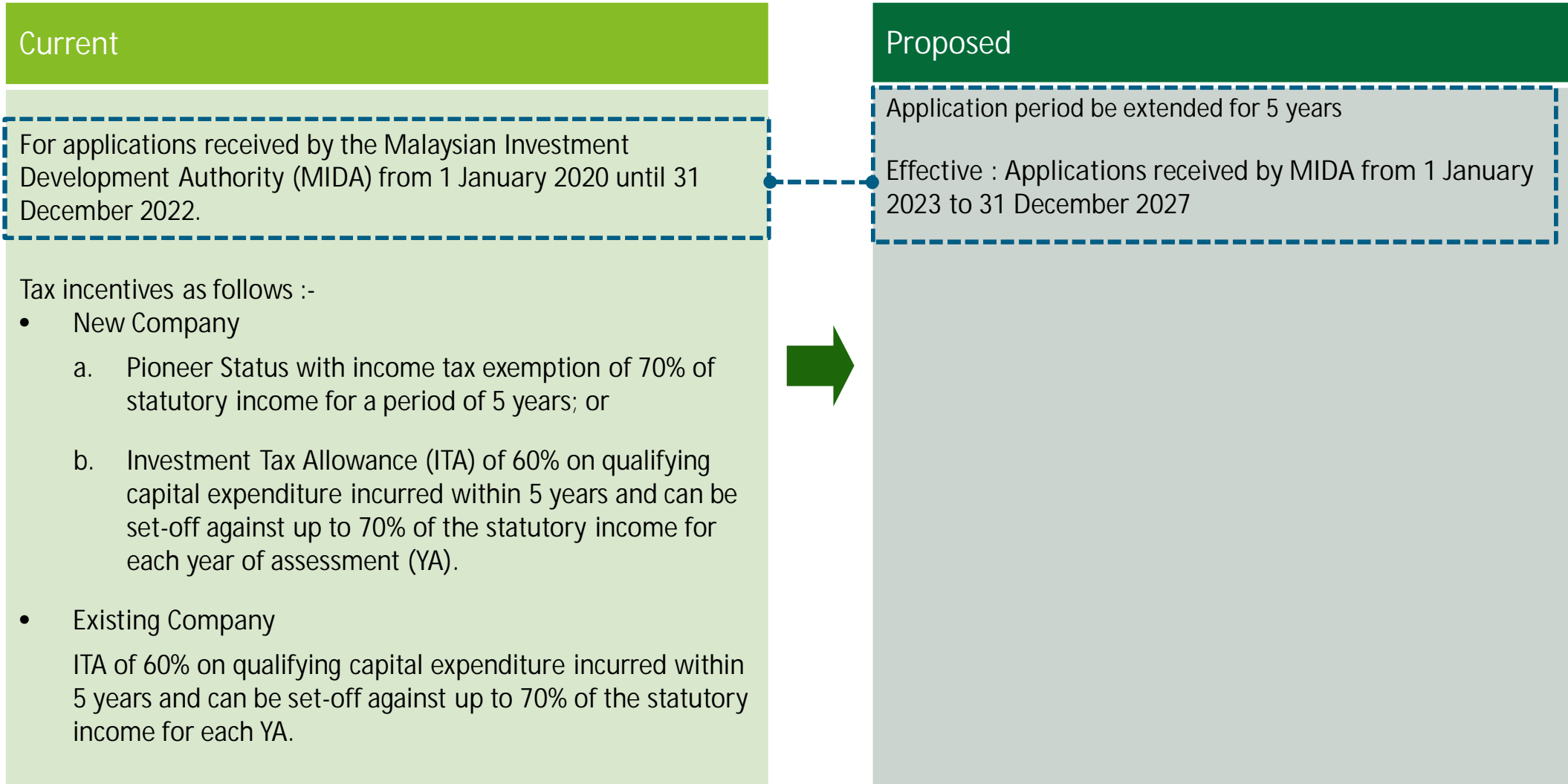


Effective Date

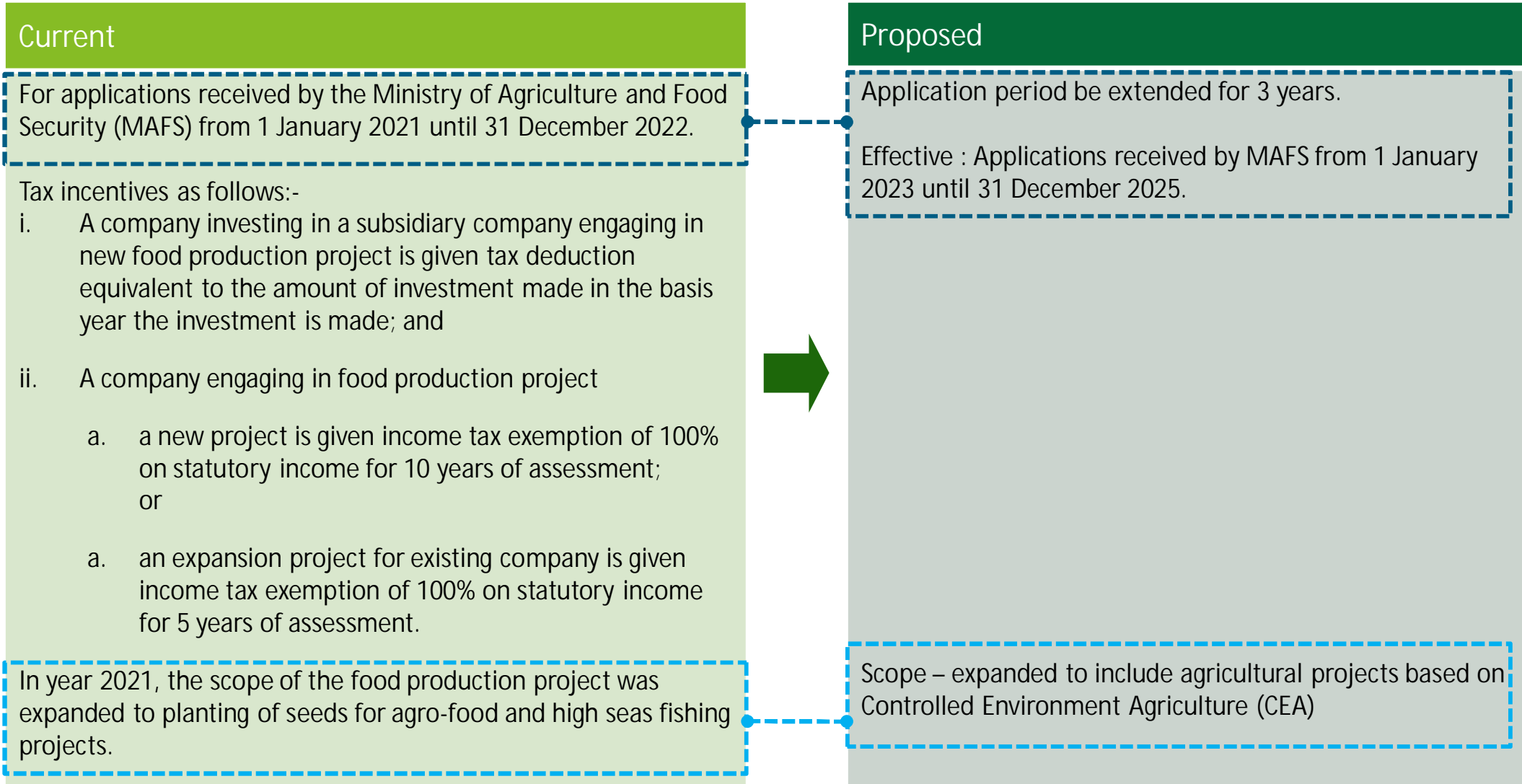
- i. Application received by MOF from 25 February 2023 until 31 December 2027
- ii. Tax deduction can be claimed through the ITRF from YA 2023 until YA 2027

Extension of Tax Incentives

Ship Building and Ship Repairing (SBSR) Industry

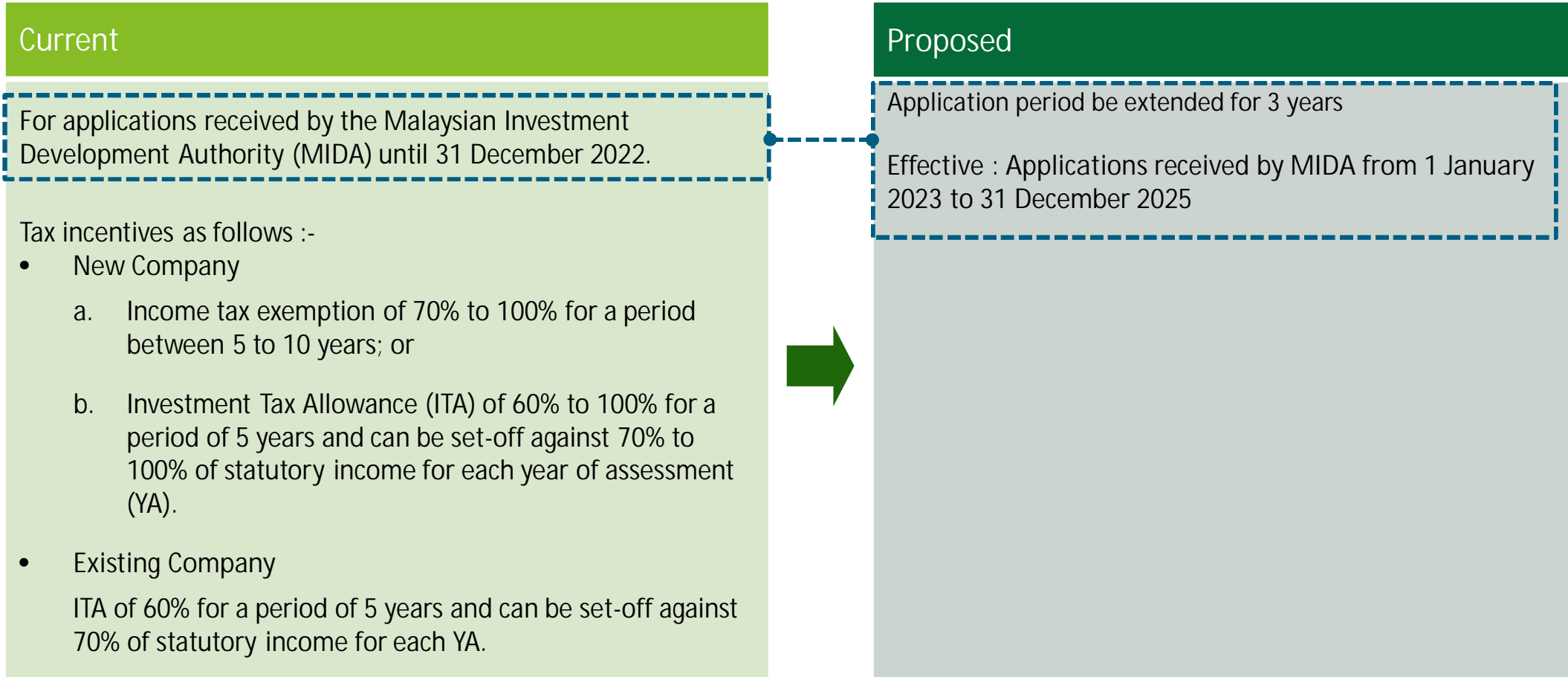


Food production project



New and existing aerospace companies in Malaysia undertaking high-value activities

(high-value activities such as manufacturing or assemble of systems, devices, parts or components and maintenance, repair and overhaul for aircraft (MRO), systems, devices, parts or components and engineering & design/services related)



Relocation tax incentive and 15% flat tax rate for C-suite individuals for electrical and electronics industry

Current

A flat rate of 15% (for 5 consecutive years) applies to non-citizen individuals who are resident in Malaysia and hold a C-Suite position or key position for strategic investments made by companies relocating their operations into Malaysia, subject to meeting the eligibility criterias.

To qualify for the incentive, the individual must:

- a. Receive a basic monthly salary of not less than RM25,000, and
- b. Be a Malaysia tax resident for each YA throughout the five consecutive YAs

Applications for the Special Income Tax Rate of 15% - must be made through MIDA on or before 7 November 2020 but not later than 31 December 2021.



Proposed

Extension of the tax incentive given to manufacturing companies that relocate to Malaysia and the flat tax rate of 15% for C-Suite is to be extended until year 2024

Company with BioNexus status

Current

For applications received by Malaysian Bioeconomy Development Corporation from 1 January 2021 until 31 December 2022.

Tax incentives as follows :-

- i. 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.
- ii. 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; and
 - e. import duty exemption on raw materials/components and machinery/equipment.

Proposed

Application period be extended for 2 years

Effective : Applications received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024

Income tax exemption rate on statutory income of BioNexus status company be increased from 70% to 100%

Stamp Duty

Transfer of property by way of love and affection



Proposed

Stamp duty for instrument executed for transfer of property between parents and children, grandparents and grandchildren from 1 April 2023 will be as follows –

- First RM1million of the property's value – 100% exemption
- Any amount in excess of RM1million – 50% of the stamp duty is remitted

The above stamp duty treatment only applies to acquirers who are Malaysian citizens.

Extended period of stamp duty exemption for loan / financing agreement



Proposed

Extension of full stamp duty exemption on agreement for restructuring or rescheduling of loan/financing facilities executed from 1 January 2023 to 31 December 2024.

Nominal stamp duty for educational loan / scholarship agreement



Proposed

Imposition of fixed duty of RM10 on educational loan / scholarship agreement to pursue education at all levels including certificate (education/skills/professionals) in any educational and training institutions.

Effective for educational loan / scholarship agreements executed from 1 June 2023.

Stamp duty exemption for first-time home buyers



Proposed

75% stamp duty exemption on instrument of transfer of property and loan agreement for the purchase of first home valued between RM500,001 – RM1million.

Others

Issue	Updates
Special Voluntary Disclosure Program	Penalties will be waived for voluntary disclosure from 1 June 2023 to 31 May 2024 by IRB and RMCD.
Tax Deduction relating to Sports Development	<p>Tax deduction of up to 10% of aggregate income be given to individual or corporation on contributions made to non-profit organisations which undertake sports development at the foundation level.</p> <p>It is also proposed that employers who hire former national athletes be given a tax deduction.</p>
Tax Exemption for Charitable Hospital and Tax Deduction for Donors	<p>Charitable hospitals that are registered as Companies Limited by Guarantee be given an income tax exemption equivalent to the expenses incurred for charity purposes.</p> <p>Donors who donate to the charitable hospitals would be given a tax deduction up to 10% of aggregate income.</p>
Contribution to the film industry	Tax deduction on contributions made to Tabung Komuniti Filem and Pembangunan Filem Kenegaraan under National Film Development Corporation Malaysia ("FINAS").

Indirect Tax



The Government is not planning to implement GST presently.

Introduction of Luxury Goods Tax



Proposed

Introduction of luxury goods tax –
Depending on the value and type of luxury goods
(e.g. luxury branded watches and branded fashion goods)



Effective Date

To be confirmed
(Proposed to commence in 2023)

Imposition of Excise Duty on Products Containing Nicotine



Current

Liquid or gel products containing nicotine used in electronic cigarettes or vapes are not subject to excise duty.

Nicotine free liquid and gel products are currently subject to excise duty at RM0.40 per litre.



Proposed

To extend the imposition of excise duty to include liquid or gel products containing nicotine that are used in electronic cigarettes or vape



Effective Date

To be confirmed

Exemption for Nicotine Replacement Therapy (NRT) Products



Current

Currently, NRT products such as nicotine gums and patches are subject to import duties and taxes as follows:

Product	Import Duty	Sales Tax
Nicotine Gum	15%	5%
Nicotine Patch	0%	10%



Proposed

Import duty and sales tax exemption on nicotine replacement therapy products for 3 years



Effective Date

Application received from 1 April 2023 to 31 March 2026

Import Duty and Sales Tax Exemption on Studio and Filming Production Equipment



Proposed

Import duty and sales tax exemption on studio and filming production equipment, for :

- providers of studio equipment,
- production, and
- post-production services.



Effective Date

Applications received by the MOF
from 1 April 2023 until 31 March 2026

Extension of Import Duty, Excise Duty and Sales Tax Exemption in Relation to Electric Vehicles (EV)



Proposed

100% import duty exemption on components for locally assembled EV

100% excise duty and sales tax exemption on locally assembled Completely Knocked-Down EV

100% import duty and excise duty exemption on imported Completely Built-Up EV



Effective Date

Extended until 31 December 2027

Extended until 31 December 2027

Extended until 31 December 2025

Excise Duty and Sales Tax Exemption for Disposal of Individually Owned Taxis and Hired Cars



Current

Excise duty and sales tax exemptions are granted for the sales / transfer / private use / disposal of taxis and hired cars, subject to the following conditions:

- 1) Individually owned budget taxi and hired cars only; and
- 2) Age of vehicle must exceed 7 years from the date of registration



Proposed

The current exemptions are extended to include the following:

- 1) Executive taxi and Teksi 1 Malaysia ("TEKS1M"); and
- 2) Airport taxis (budget and family)
- 3) In addition, the criteria of qualifying age of the vehicle has been reduced from 7 years to 5 years from the registration date.



Effective Date

Applications received from 1 March 2023

Q&A



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