

REVIEW OF INDIVIDUAL INCOME TAX RATE

Current Position

The resident individual income tax rate is progressive between 0% and 30% on chargeable income. The income tax rate effective from the year of assessment 2021 is as follows:

Chargeable Income (RM)	Tax Rate (%)
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
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,001 - 2,000,000	28
Over 2,000,000	30

Proposal

In dealing with high cost of living and to increase disposable income among middle-income *Rakyat*, it is proposed the resident individual income tax rate be reduced by 2 percentage points for each chargeable income band between RM50,001 to RM100,000.

To make the individual income tax structure more progressive, it is proposed the income tax rate for resident individuals at the chargeable income band of RM250,001 to RM400,000 be increased by 0.5 percentage points.

A comparison of the current individual income tax rate and the proposed tax rate are as follows:

Chargeable Income (RM)	Current Tax Rate (%)	Proposed Tax Rate (%)
0 - 5,000	0	0
5,001 - 20,000	1	1
20,001 - 35,000	3	3
35,001 - 50,000	8	8
50,001 - 70,000	13	11
70,001 - 100,000	21	19
100,001 - 250,000	24	24
250,001 - 400,000	24.5	25
400,001 - 600,000	25	25
600,001 - 1,000,000	26	26
1,000,001 - 2,000,000	28	28
Over 2,000,000	30	30

Income tax savings for individuals resulting from the changes of tax rate are as follows:

Chargeable Income (RM)	Current		Proposed			
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	Savings	
					(RM)	(%)
0 - 5,000	0	0	0	0		
		0		0	**	**
5,001 - 20,000	1	150	1	150		
		150		150	**	**
20,001 - 35,000	3	450	3	450		
		600		600	**	**
35,001 - 50,000	8	1,200	8	1,200		
		1,800		1,800	**	**
50,001 - 70,000	13	2,600	11	2,200		
		4,400		4,000	400	9.1
70,001 - 100,000	21	6,300	19	5,700		
		10,700		9,700	1,000	9.3
100,001 - 250,000	24	36,000	24	36,000		
		46,700		45,700	1,000	2.1
250,001 - 400,000	24.5	36,750	25	37,500		
		83,450		83,200	250	0.3
400,001 - 600,000	25	50,000	25	50,000		
		133,450		133,200	250	0.2
600,001 - 1,000,000	26	104,000	26	104,000		

Chargeable Income (RM)	Current		Proposed			
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	Savings	
					(RM)	(%)
		237,450		237,200	250	0.1
1,000,001 - 2,000,000	28	280,000	28	280,000		
		517,450		517,200	250	0.0
Over 2,000,000	30		30			

Note: ** not relevant

Effective Date

From the year of assessment 2023.

**REVIEW OF INCOME TAX RELIEF FOR MEDICAL TREATMENT EXPENSES
FOR TAXPAYER, SPOUSE AND CHILD**

Current Position

Income tax relief is given on medical treatment expenses of up to RM8,000 as follows:

- i. serious illness for taxpayer, spouse or child;
- ii. fertility treatment for taxpayer or spouse;
- iii. vaccination for taxpayer, spouse or child limited to RM1,000; and
- iv. full medical check-up, mental health check-up or consultation, COVID-19 detection test including the purchase of self-test kit for taxpayer, spouse or child limited to RM1,000.

Proposal

To support the National Dental Health Policy in promoting dental care among the *Rakyat*, it is proposed the scope of tax relief be expanded to cover dental examination and treatment expenses up to RM1,000 from dental practitioners registered with the Malaysian Dental Council.

Effective Date

From the year of assessment 2023.

**EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR
THE NATIONAL EDUCATION SAVINGS SCHEME**

Current Position

Individual income tax relief of up to RM8,000 is given on net annual savings in the National Education Savings Scheme (SSPN) effective from year of assessment 2021 until year of assessment 2022.

Proposal

To further encourage savings among parents to finance children's tertiary education, it is proposed tax relief of up to RM8,000 on net annual savings in the SSPN be extended for a period of 2 years.

Effective Date

From the year of assessment 2023 until the year of assessment 2024.

TAX RELIEF ON VOLUNTARY CONTRIBUTION TO EMPLOYEES PROVIDENT FUND

Current Position

Individual income tax relief is given on contribution to approved provident funds such as Employees Provident Fund (EPF), takaful or life insurance premium payments. From the year of assessment 2022, the scope of individual income tax relief for EPF contributors is expanded to include self-employed voluntary contributors including civil servants under the pension scheme up to RM4,000.

No.	Type of Contribution	Tax Relief
i.	Contribution to approved schemes or voluntary contribution to EPF (not including private retirement scheme) or contribution under any written law	Up to RM4,000
ii.	Life insurance premium or takaful contribution or voluntary contribution to EPF	Up to RM3,000

For civil servants under the pension scheme not voluntarily contributing to EPF, income tax relief on takaful contribution or life insurance premium payment can be claimed up to RM7,000.

Proposal

To further encourage voluntary contribution to increase savings in preparation for old age, it is proposed tax relief for life insurance premium or takaful contribution be restructured as follows:

No.	Type of Contribution	Tax Relief
i.	Mandatory contribution to approved schemes or voluntary contribution to EPF (not including private retirement scheme) or contribution under any written law	Up to RM4,000
ii.	Life insurance premium or takaful contribution or additional voluntary contribution to EPF or both	Up to RM3,000

This new treatment is **applicable to civil servants under the pension scheme.**

Effective Date

From the year of assessment 2023.

**EXTENSION OF INDIVIDUAL INCOME TAX RELIEF
FOR CHILD CARE CENTRE OR KINDERGARTEN FEES**

Current Position

The tax relief to individual taxpayers who enrol their children aged up to 6 years in Child Care Centres (TASKA) registered with the Social Welfare Department or Child Care Centres (TADIKKA) registered with the Ministry of Education Malaysia has been increased to RM3,000 for the years of assessment 2020 and 2021. This income tax relief is extended until the year of assessment 2023 as announced in Budget 2022.

This relief can be claimed by either parent of the child.

Proposal

To ease parents' financial burden in providing early education for children, it is proposed tax relief of up to RM3,000 be extended for a year.

Effective Date

For the year of assessment 2024.

EXPANSION OF SCOPE ON COVID-19 DETECTION TEST METHOD

Current Position

Income tax relief for COVID-19 detection test expenses including the purchase of COVID-19 self-detection test kit is given to the taxpayer, spouse or child. These expenses comprise of:

- i. COVID-19 detection test expenses conducted in a hospital or a clinic as supported with receipt issued by the hospitals/clinics/medical practitioners registered with the Malaysian Medical Council; or
- ii. the purchase of self-detection test kit supported with receipt.

Proposal

To provide equitable tax treatment on the existing COVID-19 detection test expenses, it is proposed the scope of tax relief be expanded to include test conducted in a laboratory recognised by the Ministry of Health Malaysia.

Effective Date

From the year of assessment 2023.

REVIEW OF INCOME TAX RATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES

Current Position

A company or Limited Liability Partnership (LLP) that has a paid-up capital of RM2.5 million and below with an annual sales turnover not exceeding RM50 million is categorised as Micro, Small and Medium Enterprises (MSME) and is subjected to income tax of 17% for the first RM600,000 of chargeable income. The remaining chargeable income is taxed at 24%.

Proposal

To increase the competitiveness of MSME and promote economic growth, it is proposed the tax rate on chargeable income for the first RM100,000 be reduced by 2 percentage points from 17% to 15%, and the tax rate for the remaining taxable income be maintained at 17% and 24% as follows:

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

Effective Date

From the year of assessment 2023.

**REVIEW OF TAX DEDUCTION ON COST OF LISTING
IN BURSA MALAYSIA**

Current Position

In Budget 2020, tax deduction of up to RM1.5 million for 3 years of assessment from 2020 to 2022 is given on expenses incurred by technology-based companies for listing in Access, Certainty, Efficiency (ACE) Market and by Micro, Small and Medium Enterprises 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.

Proposal

To further encourage more technology-based companies and Micro, Small and Medium Enterprises to expand their business by increasing capital funds through listing on BURSA Malaysia, it is proposed the treatment be reviewed as follows:

- i. the existing tax deduction of up to RM1.5 million on the cost of listing on the ACE and LEAP Markets is extended for a period of 3 years; and
- ii. this tax deduction is also expanded to cover the cost of listing technology-based companies on BURSA Main Market.

Effective Date

From the year of assessment 2023 until the year of assessment 2025.

**TAX DEDUCTION ON ISSUANCE COST OF SUSTAINABLE
AND RESPONSIBLE INVESTMENT LINKED SUKUK**

Current Position

The Securities Commission Malaysia has introduced the framework on Sustainable and Responsible Investment Sukuk (SRI) which enables fundraising by companies through financing towards improving sustainability practices and supporting the transition to low carbon activities.

The framework on SRI-linked Sukuk aims to address a wider range of financing needs for companies at different stages of their sustainability journey, providing companies more opportunities for transition to net zero carbon targets and further meet the Government's desire to achieve net zero carbon emissions targets by 2050.

Proposal

To provide an innovative Shariah-compliant financing and place Malaysia as a regional hub of SRI-linked Sukuk issuance, it is proposed tax deduction on the cost of issuing SRI-linked Sukuk that is approved or permitted or deposited with the Securities Commission Malaysia be given for a period of 5 years.

Effective Date

From the year of assessment 2023 until the year of assessment 2027.

**STAMP DUTY TREATMENT FOR TRANSFER OF PROPERTY
BY WAY OF LOVE AND AFFECTION**

Current Position

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

Sale Price/ Market Value of Property (whichever is higher)	Stamp Duty Rate
First RM100,000	1%
Next RM100,001 to RM500,000	2%
Next RM500,001 to RM1,000,000	3%
Next RM1,000,001 and above	4%

Full stamp duty exemption is given on the instrument of transfer of property executed between husband and wife.

Remission of 50% stamp duty is given on the instrument of transfer of property executed between parents and children of Malaysian citizenship.

Proposal

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

Effective Date

For instrument of transfer of property executed from 1 January 2023.

**STAMP DUTY TREATMENT FOR EDUCATIONAL
LOAN/SCHOLARSHIP AGREEMENT**

Current Position

Stamp duty at a fixed duty of RM10 is charged on educational loan/scholarship agreement to pursue tertiary education level (diploma and above) at higher learning institutions pursuant to Item 22(4) of the First Schedule, Stamp Act 1949, whilst for other levels are charged at *ad valorem* rate.

Proposal

To streamline stamp duty treatment for all levels of education, it is proposed the imposition of a fixed duty of RM10 be expanded to include educational loan/scholarship agreement to pursue education at all levels including certificate (education/skills/professionals) in any educational and training institutions.

Effective Date

For educational loan/scholarship agreement executed from 1 January 2023.

**EXTENSION OF STAMP DUTY EXEMPTION ON RESTRUCTURING OR
RESCHEDULING OF LOAN/FINANCING AGREEMENT**

Current Position

Full stamp duty exemption is given on restructuring or rescheduling of loan/financing agreement between borrowers and financial institutions executed from 1 January 2022 until 31 December 2022 subject to the following conditions:

- i. the original loan/financing agreement has been duly stamped; and
- ii. restructuring or rescheduling of the loan/financing agreement does not have the element of additional value to the original amount of loan/financing.

Proposal

To reduce the cost of borrowing and to improve borrowers' cash flow, it is proposed full stamp duty exemption on restructuring or rescheduling of the loan/financing agreement be extended for a period of 2 years.

Effective Date

For restructuring or rescheduling of loan/financing agreement executed from 1 January 2023 until 31 December 2024.

**INTRODUCTION OF NEW SCHEDULE FOR REINVESTMENT OF HOTEL AND
SELECTED TOURISM PROJECTS UNDER INCOME TAX ACT 1967**

Current Position

Reinvestment Allowance (RA) is given to manufacturing and selected agriculture sector under Schedule 7A, Income Tax Act (ITA) 1967 for expansion, diversification, modernisation and automation. RA is given at 60% on qualifying capital expenditure for period of 15 years consecutively and to be set-off against 70% of statutory income. This RA can be claimed through the Income Tax Return Form as this method will ease companies to enjoy tax incentives.

There is no reinvestment allowance given for services sector under ITA 1967.

Proposal

To revive services sector especially tourism affected by COVID-19 pandemic, it is proposed new schedule for reinvestment of hotel and selected tourism projects under ITA 1967 be introduced and given RA at 60% on qualifying capital expenditure for a period of 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 Ministry of Tourism, Art and Culture (MOTAC); and
- ii. selected tourism projects namely theme park and convention centre with a capacity of at least 3000 participants and registered with MOTAC.

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

Effective Date

From the year of assessment 2023 until the year of assessment 2027.

EXTENSION OF TAX INCENTIVE FOR MEDICAL TOURISM

Current Position

Private healthcare companies undertaking new investment or engaging in expansion, modernisation or refurbishment activities are eligible for income tax exemption equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years and can be set-off against up to 100% of statutory income.

Tax incentive is subject to following conditions:

- i. at least 10% of the total number of patients receiving private healthcare services for each year of assessment are comprised of qualified healthcare travellers; and
- ii. at least 10% of company's gross income for each year of assessment is derived from services to qualified healthcare travellers.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2021 until 31 December 2022.

Proposal

To further encourage the growth of quality private health care services and to increase the arrival of healthcare travellers, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

**SPECIAL TAX DEDUCTION FOR EXPENDITURE ON
MALAYSIAN-MADE HANDICRAFT BY HOTEL INDUSTRY**

Current Position

The hotel industry is able to promote as enabler to assist in highlighting the use of local handicraft products such as songket decorations, ceramic and wood-based products in the hotel premises.

Purchase of qualifying asset for the first time is given capital allowance under Schedule 3, Income Tax Act 1967 while subsequent purchase for replacing the asset valued at less than RM2,000 is given tax deduction under Section 33, Income Tax Act 1967.

Proposal

To support the recovery of Malaysian-made handicraft, it is proposed special tax deduction be given for expenditure on qualified Malaysian-made handicraft purchased from handicraft entrepreneur certified by Perbadanan Kemajuan Kraftangan Malaysia incurred by hoteliers limited to RM500,000.

Effective Date

For eligible expenditure on handicraft products incurred from 1 January 2023 until 31 December 2023.

REVIEW OF TAX INCENTIVE FOR TOUR OPERATORS

Current Position

In Budget 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 2 years from the year of assessment 2021 to the year assessment 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.

Proposal

To boost tourism activities in Malaysia during the transition phase to endemic, it is proposed tax incentive conditions be reviewed as follows:

- 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 year of assessment 2023.

**EXTENSION OF TAX INCENTIVE FOR
EXPORT OF PRIVATE HEALTHCARE SERVICES**

Current Position

Companies that provide private healthcare services are eligible for income tax exemption equivalent to 100% of increased value in exports of services and can be set-off against 70% of the statutory income derived from the export of healthcare services to foreign healthcare travellers either from Malaysia or abroad subject to conditions as follow:

- i. at least 10% of the total number of patients receiving private healthcare services for each year of assessment are comprised of qualified healthcare travellers; and
- ii. at least 10% of company's gross income for each year of assessment is derived from services to qualified healthcare travellers.

The tax incentive is effective from the year of assessment 2021 until the year of assessment 2022.

Proposal

To further encourage the private healthcare services and position Malaysia as a health tourism hub, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For the year of assessment 2023 until the year of assessment 2025.

EXPANSION OF SCOPE OF TAX DEDUCTION FOR THE EMPLOYMENT OF SENIOR CITIZENS, EX-CONVICTS, PAROLEES, SUPERVISED PERSONS AND EX-DRUG DEPENDANTS

Current Position

Remuneration paid to employees is given tax deduction for income tax computation.

In Budget 2019, further tax deductions are given to employers who employ senior citizens and ex-convict. The scope of tax incentive has been expanded to include ex-drug dependants and convicts who are categorised as parolees and supervised persons subject to the following conditions:

- i. the employee is employed on a full-time basis;
- ii. the monthly remuneration does not exceed RM4,000;
- iii. the employer and employee are not the same person; and
- iv. the employer is not a relative of the employee.

The tax incentive is given until year of assessment 2025.

Proposal

In line with Malaysia's Sustainable Development Goals (SDG) 2030 which aimed to provide suitable job opportunities without neglecting certain group, it is proposed the scope of tax incentive be expanded to include remuneration paid to inmate and ex-inmate of Henry Gurney School under Malaysian Prison Department, protection and rehabilitation institution and registered care centres under the Social Welfare Department.

Effective Date

From the year of assessment 2023 until the year of assessment 2025.

REVIEW OF TAX INCENTIVE FOR WOMEN CAREER BREAK

Current Position

Women who return to work after career break are given income tax exemption on employment income received for a maximum of 12 consecutive months, subject to condition as follows:

- i. return to work after a career break for a period of at least 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 year of assessment 2018 until the year of assessment 2024.

Proposal

In encouraging women to return to work and contribute to the economy, it is proposed the existing conditions be reviewed as follows:

- i. career break of at least 2 years on the date of application received by Talent Corporation Malaysia Berhad; and
- ii. tax exemption on employment income received from year of assessment 2023 until year of assessment 2028.

Effective Date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2023 until 31 December 2027.

TAX DEDUCTION FOR SPONSORSHIP OF SMART ARTIFICIAL INTELLIGENCE (AI)-DRIVEN REVERSE VENDING MACHINE

Current Position

Malaysia's Plastics Sustainability Roadmap 2021 - 2030 outlines strategies and action plans to achieve greater levels of plastic recycling in Malaysia. This roadmap serves as a guidelines for all stakeholders in ensuring sustainability through the plastic value chain towards creating new value that benefits society and the environment. In line with this roadmap, the Government aims to increase the rate of plastic collection for recycling to 40% by 2025.

Tax deductions under section 34(6)(h) of the Income Tax Act 1967 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 projects to increase the income of the poor as well as environmental preservation/conservation projects. 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.

Proposal

To support the recycling of plastic waste as an economic resource and to ensure the collected-for-recycling rate can be increased through a more effective and organised plastic waste collection programme, it is proposed tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be 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 Date

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

REVIEW OF GREEN TECHNOLOGY TAX INCENTIVES

Current Position

In Budget 2020, green technology tax incentives have been extended until 31 December 2023, meanwhile in Budget 2022 the scope on the purchase of qualifying green assets was expanded to include Rainwater Harvesting System. The tax incentives are as follows:

i. Green Investment Tax Allowance (GITA)

Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying green activity for a period of 3 years. This allowance can be set-off against 70% of statutory income.

ii. Green Income Tax Exemption (GITE)

- a. income tax exemption of 70% on statutory income for qualifying green services activities for a period of 3 years of assessment; and
- b. income tax exemption of 70% on statutory income for a period of up to 10 years for solar leasing activities.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2020 until 31 December 2023.

Proposal

As a continuous support for green technology development initiatives in line with the Green Technology Master Plan 2017-2030, it is proposed tax incentives for qualifying green activities under GITA and GITE be reviewed based on tiering approach as follows:

- i. ITA of 60% for solar activity; and ITA of 100% for activity other than solar including Battery Energy Storage System (BESS);
- ii. tax incentive period be extended from 3 years to 5 years for selected project; and
- iii. application period for tax incentive be extended for 2 years.

The details of tiering approach for GITA and GITE as in **SCHEDULE 1**.

SCHEDULE 1

INCENTIVES	TIER 1	TIER 2
GITA	Qualifying activities other than solar and solar + BESS	Qualifying activities related to solar
	<p><u>Project and Green Building</u> Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying green activities for a period of 5 years. This allowance can be set-off against 70% of statutory income.</p> <p><u>Asset</u> Investment Tax Allowance (ITA) of 100% on capital expenditure for a period of 5 years. This allowance can be set-off against 70% of statutory income.</p>	<p><u>Asset and Project</u> Investment Tax Allowance (ITA) of 60% on capital expenditure for qualifying green activities for a period of 3 years. This allowance can be set-off against 70% of statutory income.</p>
GITE	Qualifying services other than solar and solar + BESS services	Qualifying services related to solar
	<p>Income tax exemption of 70% on statutory income for qualifying green services for a period of 5 years of assessment.</p> <p><u>Solar leasing:</u> Income tax exemption of 70% on statutory income for a period of up to 10 years.</p>	<p>Income tax exemption of 70% on statutory income for qualifying green services for a period of 3 years of assessment.</p>

Effective Date

For applications received by MIDA from 1 January 2024 until 31 December 2025.

TAX INCENTIVE FOR RENTAL OF ELECTRIC VEHICLE

Current Position

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

- 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.

The tax treatment is effective from year of assessment 2002.

Proposal

To encourage utilisation of low-carbon vehicles, it is proposed the maximum rental amount for EV allowed for tax deduction is limited to RM300,000.

Effective Date

From the year of assessment 2023 until the year of assessment 2025.

**TAX INCENTIVES FOR MANUFACTURER OF
ELECTRIC VEHICLE CHARGING EQUIPMENT**

Current Position

Malaysia is actively promoting electric mobility ecosystem in line with the National Automotive Policy 2020 and the Low Carbon Mobility Blueprint 2021 - 2030. To widen the infrastructure network of charging equipment, it is vital to ensure that the product can be produced locally at competitive cost.

Proposal

To further complement the ecosystem for electric vehicle and to attract immediate high-value investment in the manufacturing of electric vehicle charging equipment, it is proposed tax incentives be given as follows:

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

Effective Date

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

TAX INCENTIVES FOR CARBON CAPTURE AND STORAGE

Current Position

Under the National Energy Policy 2022 - 2040, Malaysia envisages to achieve Low Carbon Nation Aspiration by 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 comprises of 3 activities as follows:

- i. carbon capture;
- ii. transportation of captured CO₂; and
- iii. underground or sea bed carbon storage.

Proposal

To recognise CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emission, it is proposed 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 and 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 within 5 years prior to the date of commencement of operation.

- ii. companies undertaking CCS services
 - a. ITA of 100% of qualifying capital expenditure for a period of 10 years and can be set-off against up to 100% of statutory income; or
 - 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 starting 1 January 2023 until 31 December 2027.
- iii. companies engaging CCS services be given tax deduction on fees incurred for use of CCS services.

Effective Date

- i. For application received by 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 year of assessment 2023 until the year of assessment 2027.

**TAX INCENTIVES FOR CHICKEN REARING IN
CLOSED HOUSE SYSTEM**

Current Position

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.

Proposal

To encourage more chicken rearers to adopt environmental-friendly closed house system, it is proposed tax incentives be given as follows:

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

These tax incentives are given on the qualifying capital expenditure incurred from year of assessment 2023 until year of assessment 2025 and to be fully absorbed within a year.

Effective Date

From the year of assessment 2023 until the year of assessment 2025.

REVIEW OF TAX INCENTIVES FOR FOOD PRODUCTION PROJECT

Current Position

Tax incentives for food production projects are given as follows:

- i. an investor company that undertakes investment in a subsidiary company engaging in new food production project is given tax deduction equivalent to the amount of investment made in the basis year the investment is made; and
- ii. a company engaging in food production project:
 - a. a new project is given income tax exemption of 100% on statutory income for 10 years of assessment; or
 - b. an expansion project for existing company is given income tax exemption of 100% on statutory income for 5 years of assessment.

In year 2021, the scope of the food production project was expanded to planting of seeds for agro-food and high seas fishing projects.

The tax incentive is for applications received by the Ministry of Agriculture and Food Industry (MAFI) from 1 January 2021 until 31 December 2022.

Proposal

To further promote participation of industry players in agriculture sector and to ensure the security of domestic food supply, it is proposed tax incentives be reviewed as follows:

- i. scope of tax incentive is expanded to include agricultural based projects on Controlled Environment Agriculture (CEA); and
- ii. tax incentive is extended for a period of 3 years.

Effective Date

For applications received by MAFI from 1 January 2023 until 31 December 2025.

REVIEW OF TAX INCENTIVES FOR BIONEXUS STATUS COMPANY

Current Position

Tax incentives for BioNexus status companies are given as follows:

- i. a company undertaking biotechnology activity and 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.
- ii. a company that undertakes investment 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.

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

Proposal

To encourage more industry players, it is proposed tax incentives be reviewed as follows:

- i. income tax exemption on statutory income be increased from 70% to 100%;
and
- ii. application period for tax incentives be extended for 2 years.

Effective Date

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

**EXTENSION OF TAX INCENTIVE FOR
INTELLECTUAL PROPERTY DEVELOPMENT**

Current Position

Companies which undertake research and development (R&D) for promoted products and develop intellectual property (IP) in Malaysia are given income tax exemption of 100% for a period up to 10 years. This exemption is given on IP income arising from patents and copyright software. For the purpose of tax exemption computation, the modified nexus approach is used to ensure that only income derived from IP developed in Malaysia including R&D activities is eligible for tax incentive.

For applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2020 until 31 December 2022.

Proposal

To further encourage R&D activities and IP registration in Malaysia, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

REVIEW OF TAX INCENTIVE FOR AUTOMATION IN MANUFACTURING AND SERVICES SECTOR

Current Position

Manufacturing and services companies which incur qualifying capital expenditure on automation equipment is given tax incentive as follows:

- i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products)

Accelerated Capital Allowance (ACA) of 100% for automation equipment on the first RM4 million for qualifying capital expenditure incurred and can be utilised within 1 year.

- ii. Category 2: Industries other than Category 1 including the services sector

ACA of 100% for automation equipment on the first RM2 million for qualifying capital expenditure incurred and can be utilised within 1 year.

Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment. Thus, eligible capital expenditure that can be absorbed is 200% within a year.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) until 31 December 2023.

Proposal

To further drive the productivity and improve efficiency through automation, it is proposed 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 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.

EXTENSION OF TAX INCENTIVE FOR PHARMACEUTICAL COMPANIES

Current Position

Manufacturer of pharmaceutical products is eligible for tax incentive as follows:

- i. income tax rate of 0% up to 10% for the first 10 years; and
- ii. income tax rate of 10% for the subsequent 10 years.

The tax incentive is for applications received by Malaysian Investment and Development Authority (MIDA) from 7 November 2020 until 31 December 2022.

Proposal

To further encourage the development and manufacturing of pharmaceutical products in particular vaccines, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

REVIEW OF TAX INCENTIVE FOR EQUITY CROWDFUNDING

Current Position

In Budget 2021, individual investors who invest in equity crowdfunding are eligible for tax exemption on aggregate income equivalent to 50% of the amount invested subject to the conditions as follows:

- i. the eligible amount for tax exemption is limited to RM50,000 for each year of assessment;
- ii. the deductible amount is limited to 10% of the aggregate income for that year of assessment. The excess amount will be disregarded;
- iii. the investor, investee company and amount of investment made must be verified by the Securities Commission Malaysia;
- iv. the investor must not have any family relationship with the investee company;
- v. investment must be made through equity crowdfunding platform approved by the Securities Commission Malaysia; and
- vi. the investment is not allowed to be disposed within 2 years from the date of investment.

The tax incentive is for investment made from 1 January 2021 until 31 December 2023.

Proposal

To attract more individual investors to invest in start-up companies through equity crowdfunding, it is proposed tax incentive be reviewed as follows:

- i. scope of tax incentive be expanded to include investment made by individual investor through Limited Liability Partnership Nominee Company;
and
- ii. the investment period be extended for 3 years.

Effective Date

For investment made from 1 January 2024 until 31 December 2026.

EXTENSION OF TAX INCENTIVE FOR ANGEL INVESTOR

Current Position

An angel investor who invests in an investee company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made.

The tax incentive is for applications received by the Ministry of Finance from 1 January 2021 to 31 December 2023.

Proposal

To attract more angel investors to contribute to economic activities through capital funding in investee companies, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2024 until 31 December 2026.

EXTENSION OF TAX INCENTIVE FOR PRINCIPAL HUB 3.0

Current Position

New and existing companies using Malaysia as a global regional hub for high value activities that manage, control and support main business functions such as risk management, decision making, strategic business, finance and human resource management are eligible for principal hub tax incentive with 0%, 5% or 10% income tax rate.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) until 31 December 2022.

Proposal

In attracting more companies to establish their principal hub in Malaysia, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

EXTENSION OF TAX INCENTIVE FOR GLOBAL TRADING CENTRE

Current Position

Companies undertaking trading activities for export purposes are eligible for tax incentive under Global Trading Centre at 10% income tax rate for a period of 5 years and renewable for another 5 years.

The tax incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2021 until 31 December 2022.

Proposal

To attract multinational companies undertaking trading activities while making Malaysia as regional distribution hub, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

**EXTENSION OF TAX INCENTIVE
FOR SHIP BUILDING AND SHIP REPAIRING INDUSTRY**

Current Position

Companies undertaking ship building and ship repairing (SBSR) activities in Malaysia are eligible for tax incentives as follows:

- i. new company
 - a. Pioneer Status with income tax exemption of 70% of statutory income for a period of 5 years; or
 - b. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years and can be set-off against 70% of the statutory income for each year of assessment.

- ii. existing company

Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years and can be set-off against 70% of the statutory income for each year of assessment.

The tax incentive is for applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2020 until 31 December 2022.

In addition, SBSR companies with *bona fide* status are also eligible for import duty and sales tax exemption under Item 53, Customs Duties (Exemption) Order 2017 and Item 44, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018. These exemptions are given for *bona fide* status application received by the Ministry of Finance until 31 December 2022.

Proposal

To position Malaysia as a regional hub for SBSR, it is proposed existing tax incentive and *bona fide* status be extended for a period of 5 years.

Effective Date

- i. For SBSR applications received by MIDA from 1 January 2023 until 31 December 2027.
- ii. For *bona fide* status applications received by the Ministry of Finance from 1 January 2023 until 31 December 2027.

EXTENSION OF TAX INCENTIVE FOR AEROSPACE INDUSTRY

Current Position

New and existing aerospace companies in Malaysia undertaking 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 are given tax incentives as follows:

- i. new company
 - a. income tax exemption of 70% to 100% for a period between 5 to 10 years; or
 - b. Investment Tax Allowance of 60% to 100% for a period of 5 years and can be set-off against 70% to 100% of statutory income for each year of assessment.
- ii. existing company

Investment Tax Allowance of 60% for a period of 5 years and can be set-off against 70% of statutory income for each year of assessment.

For applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2022.

Proposal

In line with the 12th Malaysia Plan to transform Malaysia as a regional key player in the aerospace industry, it is proposed tax incentive be extended for a period of 3 years.

Effective Date

For applications received by MIDA from 1 January 2023 until 31 December 2025.

**IMPORT DUTIES AND SALES TAX EXEMPTION
ON STUDIO AND FILMING PRODUCTION EQUIPMENT**

Current Position

Dasar Industri Kreatif Negara has been introduced to empower the creative industries holistically based on creativity and innovation through the production of high quality products and dignify the art and cultural heritage.

The availability of high-tech infrastructure and a conducive ecosystem are the main catalysts to promote growth and increase the competitiveness of the local creative industry. To produce creative content with international standard, industry players including film producers need to continue exploring innovation and take advantage of new technologies.

Importation of specific equipment for the creative industry such as cameras and broadcast equipment, audio and video systems, studio equipment and filming production equipment is subject to import duty between 5% to 30% and sales tax of 10%.

Proposal

To encourage industry players producing high-quality creative content for the domestic and international markets as well as to attract foreign producers filming in Malaysia, it is proposed import duty and sales tax exemptions on studio and filming production equipment be given to equipment providers and production services including post-production, studio and cinema for a period of 2 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2023 until 31 December 2024.

REVIEW OF EXCISE DUTY AND SALES TAX EXEMPTION ON THE SALE OR TRANSFER OF INDIVIDUALLY OWNED TAXIS AND HIRED CARS

Current position

In Budget 2012, excise duty and sales tax exemption were given on the sale/transfer/private use/disposal of budget taxis and hired cars subject to the following conditions:

- i. limited to individually owned budget taxis and hired cars only; and
- ii. age of vehicle must exceed 7 years from the date of registration.

Proposal

To assist individual taxi owners affected by the COVID-19 pandemic, it is proposed the excise duty and sales tax exemption on sale/transfer/private use/disposal of individually owned taxis and hired cars be reviewed as follows:

- i. exemption is expanded to:
 - a. executive taxis and TEKS1M; and
 - b. airport taxis (budget, premier and family).
- ii. vehicle age condition is relaxed to at least 5 years from the date of registration.

Effective Date

For applications received by the Royal Malaysian Customs Department from 1 January 2023.

EXTENSION OF IMPORT DUTY AND EXCISE DUTY EXEMPTION ON IMPORTED CBU ELECTRIC VEHICLES

Current Position

Imported Completely Built-Up (CBU) electric vehicles (EV) consist of passenger vehicles (including SUV and MPV), motorcycles and commercial vehicles are subject to duties and taxes as follows:

Types of Duty / Tax	Electric Vehicle Duty / Tax Rates		
	Passenger Vehicle (including SUV and MPV)	Motorcycle	Commercial Vehicle
Import Duty	30%	30%	30%
Excise Duty	10%	10%	Nil
Sales Tax	10%	Nil	10%

In Budget 2022, full import duty and excise duty exemption are given on imported CBU EV from 1 January 2022 until 31 December 2023.

Proposal

To encourage domestic demand on EV in line with the Low Carbon Mobility Blueprint, EV Roadmap and National Automotive Policy 2020 as well as considering the global shortage of automotive chip, it is proposed full import duty and excise duty exemption on imported CBU EV be extended for a period of 1 year.

Effective Date

From 1 January 2024 until 31 December 2024.

EXCISE DUTY EXEMPTION ON TOURISM VEHICLES

Current Position

In supporting Visit Malaysia Year 2020, excise duty exemption of 50% was given to tourism operators on the purchase of new locally assembled tourism vehicles effective from 1 January 2020 to 31 December 2021.

Proposal

To support the recovery of tourism industry that has been affected by COVID-19 pandemic, it is proposed 50% excise duty exemption be given on the purchase of new locally assembled tourism vehicles as follows:

- i. Hire and Drive Cars for Tourists; and
- ii. Excursion Bus.

Effective Date

For applications received by the Ministry of Finance from 1 January 2023 to 31 December 2024.

**EXTENSION OF SALES TAX EXEMPTION FOR THE PURCHASE
OF LOCALLY ASSEMBLED BUS**

Current Position

Sales tax exemption of 10% on the purchase of buses including locally installed air conditioning is given to eligible bus operators such as school bus, stage bus, express bus, excursion bus and employee bus.

The sales tax exemption is effective from 1 January 2021 to 31 December 2022.

Proposal

To reduce the operating costs and assist the bus operators during the transition phase to endemic, it is proposed sales tax exemption be extended for a period of 2 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2023 until 31 December 2024.

IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY

Current Position

Smoking cessation services at Government health clinics and hospitals have been implemented since 2000. Starting 2015, this programme has been expanded to private health facilities including hospitals, clinics and pharmacies through public and private collaboration under the mQuit Programme. In this programme, the Nicotine Replacement Therapy (NRT) is used as one of the medical treatment options for smoking cessation.

The NRT aims to supply smokers with enough nicotine to gradually reduce the symptoms of addiction without the harmful substances resulting from burning cigarettes or heating the liquid of electronic cigarettes. There are two NRT products in the market that are subject to import duty and sales tax as follows:

Product	Tarif Code	Import Duty	Sales Tax
Nicotine Gum	2404.91.1000	15%	5%
Nicotine Patch	2404.92.1000	0%	10%

Proposal

To support the mQuit Programme and encourage the use of NRT as an option for smoking cessation, it is proposed import duty and sales tax exemption be given to nicotine gum and nicotine patch for a period of 5 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2023 until 31 December 2027.

SERVICE TAX EXEMPTION ON DIGITAL SERVICES RELATED TO BANKING/FINANCIAL SERVICES

Current Position

Digital services related to banking/financial services provided by local financial institutions/banks licensed under 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.

Proposal

To streamline tax treatment on digital services related to banking/financial services by local non-bank digital payment service providers, it is proposed service tax exemption be given to:

- i. recipients of digital payment services; and
- ii. local non-bank digital payment service providers as below:
 - a. payment instrument issuers
 - b. merchant acquirers
 - c. payment system operators

The expiry date for the existing service tax exemption to local financial institutions/banks be streamlined with the exemption period for local non-bank service providers.

Effective Date

- i. From 1 August 2022 until 31 July 2025 for local non-bank digital payment service providers.
- ii. From 1 January 2020 until 31 July 2025 for local financial institutions/banks and any qualified service providers.