



MOORE Advent

TAX FLASH

MARCH 2023 (SPECIAL EDITION)

2023 Budget (Retabled) Highlights

With the release of the Finance Bill 2023 on 14th March 2023, we provide you with the updates on the additional amendments contained therein besides those key tax proposals of the retabled Budget 2023 as announced by the honourable Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim on 24th February 2023. The updated key amendments are outlined broadly into the following categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Investment Incentives
- D. Real Property Gains Tax
- E. Petroleum Income Tax
- F. Stamp Duty
- G. Sales and Service Tax and Indirect Tax
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Legend

ACA	=	Accelerated Capital Allowance
ADD	=	Agent, Dealer or Distributor
COVID-19	=	Coronavirus Disease 2019
DGIR	=	Director General of Inland Revenue
EPF	=	Employees Provident Fund
EV	=	Electric Vehicle
FINAS	=	<i>Perbadanan Kemajuan Filem Nasional Malaysia</i>
IRB	=	Inland Revenue Board
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
LLP	=	Limited Liability Partnership
MIDA	=	Malaysian Investment Development Authority
MOF	=	Ministry of Finance
MSME	=	Micro, Small and Medium Enterprise
PITA 1967	=	Petroleum (Income Tax) Act 1967
PS	=	Pioneer Status
RPGT	=	Real Property Gains Tax
RPGT Act 1976	=	Real Property Gains Tax Act 1976
RMCD	=	Royal Malaysian Customs Department
SC	=	Securities Commission
SOCSSO	=	Social Security Organisation
SVDP	=	Special Voluntary Disclosure Programme
YA	=	Year of Assessment

A. Income Tax – Changes Affecting Individuals

1. Changes in Individual Tax Rate

- Tax rate for resident individuals be reduced by 2% for chargeable income bands from RM35,001 to RM100,000 but for chargeable income bands from RM100,001 to RM1,000,000, the tax rate be increased by 0.5% to 2%
- A comparison is as shown below:-

Chargeable Income RM	Current Tax Rates %	Proposed Tax Rates %	Differences %
0 – 5,000	0	0	-
5,001 – 20,000	1	1	-
20,001 – 35,000	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	-
Exceeding 2,000,000	30	30	-

- Effective YA 2023

2. Variation of Instalment Payments As Per the Form CP500

- Currently, a person (other than a company, LLP, trust body or co-operative society) may make an application to the IRB to vary the amount to be paid by instalments on account of tax (other than the tax on employment income) and the number of instalments at any time not later than 30th June in the year of assessment
- It is proposed that in addition to the application allowed to be made not later than 30th June, the person may make another similar application not later than 31st October of that year of assessment, provided that the number of the application made does not exceed two
- Effective YA 2023

3. Expansion of Scope of Tax Relief for Voluntary Contribution to the EPF Board

- Currently, the annual limit for making voluntary contribution to the EPF Board by an individual is RM60,000
- It is proposed that the existing relief of up to RM3,000 given to a resident individual on life insurance premium or *takaful* contributions be expanded to cover any voluntary contributions made by the individual to the EPF Board
- Following this, civil servants under the pension scheme are eligible to claim for tax relief of up to RM3,000 on their *takaful* contribution or life insurance premium and the voluntary contribution made by them to the EPF Board
- Similarly, relief of up to RM4,000 available to tax resident individuals on obligatory contributions made to an approved provident fund has been expanded to cover voluntary contributions, including the contributions made by civil servants

- The maximum tax relief claimable of RM7,000 by the respective individuals is summarised as follows:-

No.	Type of Contribution/Payment	Maximum Tax Relief	Maximum Relief Claimable By	
			Non-Civil Servants	Civil Servants
i.	Mandatory contribution to approved schemes or voluntary contribution to the EPF Board (but excluding private retirement scheme) or contribution under any written law	RM4,000	RM4,000	RM4,000
ii.	Life insurance premium or <i>takaful</i> contribution or any voluntary contribution to the EPF Board or both	RM3,000	RM3,000	RM3,000

- Effective YA 2023

4. Review of Tax Relief for Fees Paid to a Child Care and Kindergarten

It is proposed that the following tax relief granted to resident individuals be extended:-

Tax Relief	Existing	Proposed / Effective
Fees Paid to a Child Care Centre and Kindergarten	<ul style="list-style-type: none"> • Tax relief of up to RM3,000 is given to either parent of a child on fees paid to:- <ul style="list-style-type: none"> ○ a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 ○ a kindergarten registered under the Education Act 1996 <p>for the child aged 6 and below</p>	<ul style="list-style-type: none"> • The period of relief be extended for another year • Effective for YA 2024

5. Increase and Expansion of Scope of Tax Relief for Medical Expenses for Self, Spouse and Child

- Currently, the tax relief of up to RM8,000 is given for medical treatment expenses incurred:-
 - for self/spouse/children on:-
 - serious disease
 - vaccination limited to RM1,000
 - complete medical examination, mental health check-up or consultation, COVID-19 detection test including the purchase of self-test kit limited to RM1,000
 - for self/spouse on:-
 - fertility treatment
- It is proposed that:-
 - the amount of tax relief be increased from RM8,000 to RM10,000;
 - the scope of tax relief for medical treatment expenses be expanded to include an amount limited to RM4,000, expended or deemed expended by an individual on his child who at any time in that basis year is of the age of 18 years old and below, in respect of:-
 - assessment for the purpose of diagnosis of learning disability certified by a medical practitioner registered with the Malaysian Medical Council; or

- early intervention programme or rehabilitation treatment for learning disability conducted by an allied health practitioner in the field of learning disability registered under the Allied Health Professions Act 2016; and
- o on the conditions that:-
 - the claim is evidenced by a receipt and certification issued by the medical practitioner that the assessment for the purpose of diagnosis was provided to the child and that the child is diagnosed with learning disability;
 - the claim is evidenced by a receipt and certification issued by the allied health practitioner that the early intervention programme or rehabilitation treatment was provided to the child;
 - the assessment for the purpose of diagnosis, early intervention programme or rehabilitation treatment which qualify for deduction are for the following learning disabilities:-
 - autism spectrum disorder;
 - attention deficit hyperactivity disorder;
 - global developmental delay;
 - intellectual disability;
 - down syndrome; and
 - specific learning disability;
 - the assessment for the purpose of diagnosis, early intervention programme and rehabilitation treatment are provided in Malaysia;
 - the deduction shall be part of the amount limited to a maximum of RM10,000; and
 - the maximum amount of deduction shall apply notwithstanding that the individual may have more than one child
- Effective YA 2023

6. Abolishment of Tax Relief for *Skim Simpanan Pendidikan Nasional*

- Relief of up to RM8,000 given on net savings deposited into *Skim Simpanan Pendidikan Nasional* established under the *Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997* by a resident individual for his or her child be abolished
- Effective YA 2023

7. Re-Introduction of Special Voluntary Disclosure Programme

- Please refer to Part B2 below

8. Tax Deduction for Donation Made to Non-Governmental Organisations Involved in Grassroots Sports Development Program

- Please refer to Part B12 below

9. Special Income Tax Rate for Non-Resident Individuals Holding Key Positions / C-Suite Positions in Companies Granted Incentive for Relocation of Manufacturing Activities to Malaysia

Please refer to Part C1 below

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Review of Income Tax Treatment for MSME and LLP

- Currently, the preferential tax rate of 17% on chargeable income up to RM600,000 is accorded to the following entities with gross business income of not more than RM50 million:-
 - o a MSME [i.e. a company resident and incorporated in Malaysia with paid-up capital of not more than RM2.5 million and none of its related companies within the group (related by way of shareholding of more than 50%) is having paid-up capital exceeding RM2.5 million]
 - o a LLP resident in Malaysia with total contribution of capital (whether in cash or in kind) of not more than RM2.5 million and it is not related to any company [by way of contribution of capital (whether in cash or in kind) or shareholding of more than 50%] having paid-up capital exceeding RM2.5 million

- It is proposed that:-
 - (i) The above qualifications be tightened to exclude:-
 - For MSME, more than 20% of the paid-up capital in respect of ordinary shares of the company at the beginning of the basis period for a year of assessment is directly or indirectly owned by one or more companies incorporated outside Malaysia or by one or more individuals who are not citizens of Malaysia
 - For LLP, more than 20% of the capital contribution (whether in cash or in kind) of the LLP at the beginning of the basis period for a year of assessment is directly or indirectly contributed by one or more companies incorporated outside Malaysia or by one or more individuals who are not citizens of Malaysia
 - (ii) The tax rate on chargeable income for the first RM150,000 be reduced by 2% from 17% to 15% and the tax rate for the remaining chargeable income be maintained at 17% and 24% respectively as follows:-

Chargeable Income	Tax Rate
First RM150,000	15%
RM150,001 to RM600,000	17%
In excess of RM600,000	24%

- Item (i) is effective YA 2024 whereas item (ii) is effective YA 2023

2. Re-Introduction of Special Voluntary Disclosure Programme

- The SVDP will be re-introduced by the IRB and RMCD with remission of 100% penalty
- Taxpayers who have been selected for tax audit or investigation will not be eligible to participate in the SVDP
- Effective for voluntary disclosure made between the period from 1st June 2023 to 31st May 2024

3. Review of Definition of Plant

- Currently, “plant” is defined under Paragraph 70A, Schedule 3 of the ITA 1967 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
- It is proposed that the intangible asset be removed from the exclusion list for the definition of “plant” and the Finance Minister be empowered to prescribe any other assets as assets which are excluded from the definition of “plant”
- Effective YA 2023

4. Requirement for Furnishing Return Forms via e-Filing

- It is proposed that the requirement for furnishing return forms by way of an electronic medium or electronic transmission be expanded as follows:-

Type of Return Form	Type of Person	
	Existing	Expansion
Income Tax Return Form	Company and LLP	Trust body, co-operative society, partnership and every person other than a company, LLP, trust body or co-operative society
Amended Return Form	N/A	Company, LLP, trust body and co-operative society
Employer’s Return Form	Company	LLP, trust body and co-operative society

- Effective YA 2024

5. Payment of Tax by Instalments

- The empowerment given to the DGIR to approve the payment of tax by instalments be extended to include tax due and payable on deemed assessment upon filing of return under Section 103(1) of the ITA 1967 and tax due and payable upon filing of amended return under Section 103(1A) of the ITA 1967
- Effective YA 2023

6. Withholding Tax Payment Period in Respect of Payment Made to Agent, Dealer or Distributor

- Currently, a company is required to withhold 2% tax on payments made in monetary form to an ADD who is a resident individual arising from sales, transactions or schemes pursuant to Section 107D of the ITA 1967. The 2% tax withheld has to be remitted to the DGIR within 30 days from the date of payment or crediting the payments to ADD
- It is proposed that the 2% withholding tax deducted from the payments made to ADD in one calendar month be remitted to the DGIR not later than the last day of the following month
- Effective 1st January 2023

7. Relief in Respect of Deductions Not Allowed for Non-Payment of Withholding Tax

- The scope of application for relief under Section 97A and Section 131A of the ITA 1967 is extended to include a deduction not allowed in respect of non-payment of withholding tax for payment to ADD
- Effective 1st January 2023

8. Expansion of Scope of Tax Deduction for the Employment of Inmate and Ex-Inmate of Henry Gurney School and Institutions under the Social Welfare Department

- Currently, an employer is given further tax deduction of remuneration incurred by him for employment of senior citizen, ex-convict, ex-drug dependent, parolee and supervised person until YA 2025, subject to the following conditions:-
 - the employee is employed on a full-time basis;
 - the remuneration paid to each employee does not exceed RM4,000;
 - employer and employee are not the same person; and
 - the employer is not a relative of the employee
- It is proposed that the further tax deduction be expanded to include remuneration paid to inmate and ex-inmate of Henry Gurney School under Malaysian Prison Department, protection and rehabilitation institution and non-government care centres registered under the Social Welfare Department
- Effective YA 2023 to YA 2025

9. Extension and Expansion of Tax Deduction on Cost of Listing in Bursa Malaysia

- Currently, tax deduction of up to RM1.5 million is allowed for the following expenditure incurred by technology-based companies for the basis period in a year of assessment when the company is listed on the Access, Certainty, Efficiency ["ACE"] Market or Leading Entrepreneur Accelerator Platform ["LEAP"] Market of Bursa Malaysia from the YA 2020 until YA 2022:-
 - payment of fees to Bursa Malaysia and SC;
 - payment of the following professional fees:-
 - advisory fee to the sponsor, being the main adviser for listing on the ACE Market, and approved adviser, being the main adviser for listing on the LEAP Market; and
 - in relation to the listing exercise, fees to the solicitor, company secretary, tax adviser, reporting accountant, auditor, valuer, independent market researcher, issuing house and share registrar; and
 - payment of fees for underwriting, placement and brokerage services
- It is proposed that the above tax deduction be extended for another 3 years
- In addition, it is proposed that the deduction be expanded to cover technology-based companies listing on the Main Market of Bursa Malaysia
- Effective YA 2023 to YA 2025

10. Tax Deduction on Remuneration for Hiring of Former National Athletes

- It is proposed that tax deduction be given to an employer in respect of remuneration incurred by him for the employment of former national athletes
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

11. Tax Deduction for Sponsorship of Smart Artificial Intelligence-Driven Reverse Vending Machine

- Currently, tax deduction under Section 34(6)(h) of the ITA 1967 is given to any 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 and communication technology 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
- It is proposed that the tax deduction 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-Driven Reverse Vending Machine
- Effective for contribution/sponsorship and application received by MOF from 1st April 2023 until 31st December 2024

12. Tax Deduction for Donation Made to Non-Governmental Organisations Involved in Grassroots Sports Development Programme

- It is proposed that donors (individuals/companies) be eligible for tax deduction, restricted to 10% of aggregate income in respect of the donation made to Non-Governmental Organisation involved in grassroots sports development programme
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

13. Tax Deduction on Issuance Cost of SRI-Linked *Sukuk*

- Currently, the SC has introduced the framework on Sustainable and Responsible Investment ["SRI"] *sukuk* 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 the year 2050
- It is proposed that tax deduction on the cost of issuing SRI-linked *sukuk* that is approved or permitted or deposited with the SC be given for a period of 5 years
- Effective YA 2023 to YA 2027

14. Tax Deduction on Contributions Made to *Tabung Komuniti Filem dan Pembangunan Filem Kenegaraan* under FINAS

- It is proposed that tax deduction be given to persons who made contributions to *Tabung Komuniti Filem dan Pembangunan Filem Kenegaraan* under FINAS
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

15. Special Tax Deduction to Hoteliers for Expenditure Incurred on Malaysian-Made Handicraft

- Currently, there is no tax deduction in respect of the expenditure incurred on purchasing Malaysian-made handicraft
- It is proposed that a special tax deduction of up to RM150,000 be given to hoteliers in respect of the expenditure incurred on Malaysian-made handicraft purchased from handicraft entrepreneurs registered with Malaysian Handicraft Development Corporation (*Perbadanan Kemajuan Kraftangan Malaysia*)
- This special deduction shall not apply if a claim for tax deduction under Section 33 of the ITA 1967 or capital allowance under Schedule 3 of the ITA 1967 has been made on the above expenditure

- Effective for eligible expenditure on handicraft products incurred from 1st January 2023 to 31st December 2025

16. Tax Incentive for Company Renting Non-Commercial EV

- Currently, companies renting motor vehicles (including EV) other than motor vehicles licensed by the appropriate authority for commercial transportation of goods or passengers are given tax deduction for the rental amount subject to the following limits:-
 - maximum of RM100,000 for cost of vehicle not exceeding RM150,000; and
 - maximum of RM50,000 for cost of vehicle exceeding RM150,000
- It is proposed that the rental amount for non-commercial EV be allowed up to a maximum of RM300,000
- Effective YA 2023 to YA 2025

17. Income Tax Exemption on Welfare Hospitals

- It is proposed that an income tax exemption for a period of 5 years of assessment be granted to any welfare hospital that registered as a company limited by guarantee
- The amount of income exempted from tax would be equal to the amount of expenses incurred by the welfare hospital
- Donors are entitled to a tax deduction of up to 10% of their aggregate income for the relevant year of assessment

C. Investment Incentives

1. Review of Tax Incentives for Various Sectors

It is proposed that the following tax incentives granted to eligible companies in various sectors be expanded/extended:-

Tax Incentive / Allowance	Current Position	Proposed Changes and Effective Period
Automation in Manufacturing and Services Sectors	<ul style="list-style-type: none"> • Manufacturing and services companies which incur qualifying capital expenditure on automation equipment is given tax incentive as follows:- <ul style="list-style-type: none"> ○ <u>Category 1 : Labour-intensive industry (rubber, plastic, wood and textile products)</u> <ul style="list-style-type: none"> - ACA of 100% for automation equipment on the first RM4 million for qualifying capital expenditure incurred; and ○ <u>Category 2 : Industries other than Category 1 including the services sector</u> <ul style="list-style-type: none"> - ACA of 100% for automation equipment on the first RM2 million for qualifying capital expenditure incurred 	<ul style="list-style-type: none"> • ACA for automation equipment be enhanced as follows:- <ul style="list-style-type: none"> ○ scope of automation to include the adaptation of Industry 4.0 elements; ○ scope of tax incentive is expanded to include agriculture sector; and ○ the threshold for capital expenditure in respect of both Categories 1 and 2 above and also the agriculture sector be aligned and increased up to RM10 million • Effective for applications received by MIDA and Ministry of Agriculture and Food Security from 1st January 2023 to 31st December 2027

	<ul style="list-style-type: none"> Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment 	
Food Production Project	<ul style="list-style-type: none"> Tax incentives for food production projects:- <ul style="list-style-type: none"> The 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 subsidiary in the basis year the investment is made; and A company carrying out:- <ul style="list-style-type: none"> a new food production project is given 100% tax exemption of statutory income for a period of 10 years of assessment; or an expansion of the existing food production project is given 100% tax exemption of statutory income for a period of 5 years of assessment The approved food production project was also expanded in year 2021 to include planting of seeds for agro-food and high seas fishing projects 	<ul style="list-style-type: none"> The scope of tax incentive be expanded to include agricultural-based projects on Controlled Environment Agriculture The application period for tax incentives be extended for another 3 years Effective for applications received by Ministry of Agriculture and Food Security from 1st January 2023 to 31st December 2025
Bionexus Status Company	<ul style="list-style-type: none"> Company undertaking biotechnology activity and approved with BioNexus status is eligible for tax exemption of 70% on statutory income commencing from the first statutory income for a period of 10 years (new business) or 5 years (existing business / expansion project) For applications received by Malaysian Bioeconomy Development Corporation from 1st January 2021 to 31st December 2022 	<ul style="list-style-type: none"> The tax exemption on statutory income of BioNexus status company be increased from 70% to 100% The application period for tax incentives be extended for another 2 years Effective for applications received by Malaysian Bioeconomy Development Corporation from 1st January 2023 to 31st December 2024

<p>Aerospace Industry</p>	<ul style="list-style-type: none"> • 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, systems, devices, parts or components and engineering & design / services related are given tax incentives as follows:- <ul style="list-style-type: none"> ○ <u>New Company</u> <ul style="list-style-type: none"> - Income tax exemption of 70% to 100% for a period between 5 to 10 years; or - ITA of 60% to 100% for a period of 5 years and can be set-off against 70% to 100% of statutory income ○ <u>Existing Company</u> <ul style="list-style-type: none"> - ITA of 60% for a period of 5 years and can be set-off against 70% of statutory income for each year of assessment 	<ul style="list-style-type: none"> • It is proposed that the application period for the above tax incentive which expired on 31st December 2022 be extended for another 3 years • Effective for applications received by MIDA from 1st January 2023 to 31st December 2025
<p>Ship Building and Ship Repairing Industry</p>	<ul style="list-style-type: none"> • Tax incentives are given to the companies undertaking Ship Building and Ship Repair ["SBSR"] activities in Malaysia:- <ul style="list-style-type: none"> ○ <u>New Company</u> <ul style="list-style-type: none"> - PS with tax exemption of 70% of statutory income for a period of 5 years; or - ITA of 60% on the qualifying capital expenditure incurred within 5 years and can be set off against 70% of statutory income ○ <u>Existing Company</u> <ul style="list-style-type: none"> - ITA of 60% on the qualifying capital expenditure incurred within 5 years and can be set off against 70% of statutory income • For applications received by MIDA from 1st January 2020 until 31st December 2022 	<ul style="list-style-type: none"> • It is proposed that the application period for the tax incentives be extended for another 5 years • Effective for SBSR applications received by MIDA from 1st January 2023 until 31st December 2027

<p>Relocation of Manufacturing Activities to Malaysia</p>	<ul style="list-style-type: none"> • Tax incentives are as follows:- <ul style="list-style-type: none"> ○ <u>New Company</u> <ul style="list-style-type: none"> - Tax rate of 0% for 10 years be applied to new investment in manufacturing sector with capital investment between RM300 million to RM500 million - Tax rate of 0% for 15 years be applied to new investment in manufacturing sector with capital investment above RM500 million ○ <u>Existing Company</u> <ul style="list-style-type: none"> - ITA of 100% for a period of 5 years with capital investment above RM300 million and can be set-off against 100% of statutory income for each year of assessment • Special income tax rate for non-resident individuals holding key positions / C-Suite positions in the eligible companies are subject to income tax at the flat rate of 15% for a period of 5 consecutive years with the following conditions:- <ul style="list-style-type: none"> ○ Restricted to 5 non-resident individuals employed in each company ○ Having monthly salary of not less than RM25,000 each ○ Must attain tax resident status in Malaysia throughout the incentive period 	<ul style="list-style-type: none"> • It is proposed that the period for application of the tax incentives for submission to MIDA by both the company and the non-resident individual be extended for another 2 years until 31st December 2024
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2. Tax Incentives for Manufacturer of EV Charging Equipment

- Currently, Malaysia is actively promoting electric mobility ecosystem to support the development of local EV industry and encourage domestic demand in line with the National Automotive Policy 2020 and the Low Carbon Mobility Blueprint 2021 – 2030
- To attract immediate high-value investment in manufacturing of EV charging equipment, it is proposed that tax incentives for EV be given as follows:-
 - Income tax exemption of 100% on statutory income from YA 2023 to YA 2032
 - Companies that make early investments are eligible for tax exemption up to a period of 10 years. For companies that make investments after YA 2023, tax exemption is only given for the remaining exemption period; or
 - ITA of 100% for a period of 5 years and allowable for set-off against 100% of statutory income
- Effective for applications received by MIDA from 25th February 2023 until 31st December 2025

3. Tax Incentives for Carbon Capture and Storage Technology

- To encourage the initiative to control the emission of carbon dioxide using Carbon Capture and Storage Technology ["CCS"], it is proposed that new tax incentives be given as follows:-
 - Companies undertaking CCS in-house activity
 - ITA of 100% of qualifying capital expenditure for a period of 10 years and to be set-off against 100% of the statutory income;
 - Full import duty and sales tax exemption on equipment for CCS technology commencing from 1st January 2023 until 31st December 2027; and
 - Tax deduction for allowable pre-commencement expenses within 5 years prior to the date of commencement of operation
 - Companies undertaking CCS services
 - ITA of 100% of qualifying capital expenditure for a period of 10 years and to be set-off against 100% of the statutory income;
 - Income tax exemption of 70% of statutory income for a period of up to 10 years; and
 - Full import duty and sales tax exemption on equipment for CCS technology commencing from 1st January 2023 until 31st December 2027
 - Companies engaging CCS services be given tax deduction on fees incurred for the use of CCS services from the YA 2023 to YA 2027
- Effective for applications received by MOF from 25th February 2023 to 31st December 2027

4. Tax Incentives for Chicken Rearing in Closed House System

- To encourage more chicken rearers to adopt environmental-friendly closed house system, it is proposed that the following tax incentives be given for a period of 3 years:-
 - ACA of 100% on the qualifying capital expenditure; and
 - income tax exemption of 100% equivalent to the qualifying capital expenditure
- Effective YA 2023 to YA 2025

D. Real Property Gains Tax

1. Transfer of Assets Owned between Former Spouses

- Currently, any chargeable gains arising from the transfer of assets between former spouses would be subject to RPGT at the appropriate rate specified under Part 1, Schedule 5 to the RPGT Act 1976
- It is proposed that a new Paragraph 3(1)(b)(ia) of Schedule 2 to the RPGT Act 1976 be introduced to provide that for the transfer of assets between former spouses pursuant to an order of any court in consequence of the dissolution or annulment of their marriage, the disposal price is deemed equal to acquisition price of the asset (i.e. no gain no loss transaction)
- Where an asset which has been transferred under the abovementioned Paragraph 3(1)(b)(ia) of Schedule 2 to the RPGT Act 1976 is subsequently disposed of by the former spouse, the disposer shall be deemed to have acquired the asset at an acquisition price equal to the acquisition price paid by the transferor plus the permitted expenses incurred by the transferor, or in the case where the asset was acquired by the transferor prior to 1st January 2013, the acquisition price shall be the market value as at 1st January 2013
- Effective upon coming into operation of the Finance Act 2023

2. Transfer of Assets to a Controlled Company not Incorporated in Malaysia

- Currently, the disposal price is deemed equal to acquisition price (i.e. no gain no loss transaction) for the transfer of assets owned by an individual, the wife of the individual, or by the individual jointly with his wife or with a connected person, by a nominee for the individual, a nominee for the wife of the individual or a nominee for both, or by a trustee for the individual, a trustee for the wife of the individual or a trustee for both, to a company resident in Malaysia or not, controlled by the individual, by the wife of the individual, the individual jointly with his wife or with a connected person, nominee for the individual, the nominee for the wife of the individual or the nominee for both, or by the trustee for the individual, the trustee for the wife of the individual or the trustee for both, for a consideration consisting of shares or substantially of shares in the company
- It is proposed that the transfer of assets owned by a person as mentioned above to a controlled company not incorporated in Malaysia be excluded from the above scope of “no gain no loss transaction” and therefore, the appropriate rate under Part 1, Schedule 5 to the RPGT Act 1976 shall apply
- Effective upon coming into operation of the Finance Act 2023

E. Petroleum Income Tax

1. Mandatory Submission of Tax Return and Amended Tax Return Forms via e-filing

- Currently, a chargeable person may submit their tax return forms under Section 30 and 30A of the PITA 1967 via electronic medium or electronic transmission, postal delivery or by hand-delivery
- The chargeable person may also submit their amended tax return forms under Section 30B of the PITA 1967 via postal delivery or by hand-delivery
- It is proposed that the following tax return forms must be submitted by way of an electronic medium or electronic transmission:-
 - Production Tax Return Form [“Form CPP”]
 - Exploration Tax Return Form [“Form CPE”]
 - Amended Production Tax Return Form [“Amended Form CPP”]
- Effective YA 2023

2. Amended Tax Return for Exploration Expenditure

- Currently, there is no provision to allow a chargeable person to submit an amended tax return on the assessment made under Section 30A of the PITA 1967
- A new Section 30C of the PITA 1967 be introduced to enable the chargeable person who has furnished a tax return [“Form CPE”] to make amendment to such return in an amended return on the exploration expenditure incurred by that chargeable person during the exploration period under Section 30A(1) of the PITA 1967
- The amended tax return can only be made once and it is to be submitted to the DGIR within six (6) months from the statutory due date of submission for Form CPE
- Effective YA 2023

F. Stamp Duty

1. Review of Stamp Duty on Instrument of Transfer of Immoveable Property by Way of Love and Affection

- Currently, stamp duty exemption is given on instrument of transfer of any immoveable property between husband and wife, and 50% remission of stamp duty chargeable is given on instrument of transfer of any immoveable property between parents and children in the case where the recipient is a Malaysian citizen
- In order to reduce cost of stamp duty for transfer of property by way of love and affection between parents and children, grandparents and grandchildren, it is proposed that the:-

- stamp duty on instrument of transfer of immoveable property be fully exempted, limited to the first RM1 million of the property's value; and
- remaining balance of the property's value be subject to ad valorem duty rate with 50% remission on the stamp duty imposed
- The above stamp duty treatment will only apply to the recipients of the immoveable property who are Malaysian citizens
- Effective for instrument of transfer executed from 1st April 2023

2. Review of Stamp Duty on Educational Loan / Scholarship Agreements

- Currently, stamp duty on educational loan / scholarship agreements executed for the purpose of pursuing higher education in higher educational institutions are charged at the fixed rate of RM10. Stamp duty at *ad valorem* rate would be charged on the same agreements for the purpose of pursuing other levels of education
- It is proposed that stamp duty on educational loan / scholarship agreements executed for the purpose of pursuing education at all levels including certificate (education/skills/professionals) in any educational and training institutions be also charged at the fixed rate of RM10
- Effective for educational loan / scholarship agreements executed from 1st June 2023

3. Extension of Stamp Duty Exemption for Instruments in Relation to Restructuring or Rescheduling of Loan or Financing

- Currently, stamp duty exemption is granted for restructuring or rescheduling of loan or financing between a borrower or customer and a financial institution with the following conditions:-
 - the existing instrument of loan or financing agreement has been duly stamped; and
 - the restructuring or rescheduling of a loan or financing does not contain the element of additional value to the original amount of loan or financing under the existing instrument of loan or financing agreement
- The exemption applies to instruments executed from 1st March 2020 to 31st December 2022
- It is proposed that the above stamp duty exemption be extended for another 2 years
- Effective for instruments executed from 1st January 2023 to 31st December 2024

4. Expansion of Scope for Nominal Stamp Duty

- Currently, stamp duty of RM10 is imposed on:-
 - A charge or a mortgage on or an assignment by way of security of accounts receivable to a bank, merchant bank, or finance company licensed under the Banking and Financial Institutions Act 1989 or under the Islamic Banking Act 1983, or a scheduled institution as defined under Section 2 of the Banking and Financial Institutions Act 1989, pursuant to an agreement for discounting invoices or hire purchase receivables; and
 - The absolute sale of any accounts receivable or book debts to a bank, merchant bank, or finance company licensed under the Banking and Financial Institutions Act 1989 or under the Islamic Banking Act 1983, or a scheduled institution as defined under Section 2 of the Banking and Financial Institutions Act 1989, pursuant to a factoring agreement
- It is proposed that the above imposition of stamp duty of RM10 be extended to any statutory body, agency of the Government or of the State Government, or any company in which the Government or the State Government has interest, which provides financing to a small and medium enterprise
- Effective upon coming into operation of Finance Act 2023

5. Stamp Duty Remission for First-Time Purchase of Residential Property Valued More Than RM500,000 up to RM1 Million

- It is proposed that stamp duty remission of 75% be given on instrument of transfer and loan agreement for first-time purchase of residential property valued more than RM500,000 up to RM1 million
- Effective date of execution of instrument / agreement to be determined

G. Sales and Service Tax and Indirect Tax

1. Tax Incentives for Carbon Capture and Storage Technology

- Please refer to Part C3

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

- For the purpose of boosting the level of creativity of industry players in creating high value creative content in the domestic and international markets as well as attracting foreign film producers to carry out filming activities in Malaysia, it is proposed that import duty and sales tax exemption on studio and filming production equipment be given to providers of studio equipment, production and post-production services for a period of 3 years
- Effective for applications received by MOF from 1st April 2023 to 31st March 2026

3. Review of Excise Duty and Sales Tax Exemption on the Sale or Transfer of Individually Owned Taxis and Hired Cars

- To assist individual taxi owners affected by the COVID-19 pandemic, it is proposed that the excise duty and sales tax exemption on sale / transfer / private use / disposal of individually owned taxis and hired cars be expanded and reviewed as follows:-
 - Exemption granted based on the following licenses and services:-
 - Taxis (budget taxis, executive taxis and TEKS1M);
 - Airport taxis (budget and family); and
 - Hired cars
 - Vehicle age condition is relaxed to at least 5 years from the date of registration
- Effective for applications received by the RMCD from 1st March 2023

4. Extension of Tax Incentives to Support the Development of EV Industry

- To spur domestic demand and encourage the growth of locally assembled EV activity, it is proposed that the tax incentives for EV be extended as follows:-

No.	Tax Measures	Incentive Period Extension
i.	Full import duty exemption on components for locally assembled EV	Until 31 st December 2027
ii.	Full excise duty and sales tax exemption on locally assembled Completely-Knocked-Down EV	
iii.	Full import duty and excise duty exemption on imported Completely Built-Up EV	Until 31 st December 2025

5. Import Duty and Sales Tax Exemption on Nicotine Replacement Therapy

- To support the mQuit Programme and encourage the use of Nicotine Replacement Therapy as an option for smoking cessation, it is proposed that import duty and sales tax exemption be given for purchase of nicotine gum and nicotine patch for a period of 3 years
- Effective for applications received by MOF from 1st April 2023 to 31st March 2026

6. Excise Duty on Nicotine-Based Products for Electronic Cigarettes and Vape

- It is proposed that excise duty be imposed on nicotine-based products (liquid or gel) used in electronic cigarettes and vaping

7. Re-Introduction of Special Voluntary Disclosure Programme

- Please refer to Part B2

H. Others

1. Introduction of Luxury Goods Tax

- The Government plans to introduce a Luxury Goods Tax starting this year on luxury goods with a certain value limit depending on the type of luxury goods such as luxury watches and luxury fashion items

2. Introduction of Capital Gains Tax on Disposal of Unlisted Shares

- The Government is studying to introduce capital gains tax for the disposal of unlisted shares by companies at a low rate
- Effective year 2024

3. Incentives for Employers Hiring Technical and Vocational Education and Training Graduates

- Incentives under SOCSO will be given to employers who hire technical and vocational education and training graduates
- The incentive of RM600 per month will be paid for a period of 3 months to the employer as an addition to the salary offered to the graduates

4. Incentives for Employers Hiring the Vulnerable Groups

- Incentives under SOCSO will be given to employers who hire the vulnerable groups, such as persons with disabilities, ex-convicts, homeless people and the hardcore unemployed
- Hiring incentives of up to RM600 per month will be paid for a period of 3 months to the employer

5. Grants

- The Government has allocated funds for the following grants in Budget 2023:-

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
i.	<i>Pertubuhan Prihatin Komuniti Grant</i>	RM20 million	2,000 resident associations carrying out voluntary activities during calamities	Not specified
ii.	Plantation Sector	RM50 million	To promote automation in the plantation sector through the use of robotics and artificial intelligence which can employ skilled local workers	Matching grant
iii.	Tourism Sector	RM115 million	Companies involved in the promotion and organising tourism programmes, including international sporting and cultural events as well as charter flights	Matching grant
iv.	<i>Skim Geran Pendigitalan PKS dan Penjaja Kecil</i>	RM100 million	Small and medium enterprises and small hawkers that subscribe to business digitalisation applications such as POS system, accounting or inventory management system	Matching grant of up to RM5,000
v.	National Sports Programmes	RM50 million	To encourage private sector sponsorship for sports programmes, especially unity-based sports, organisation of tournaments at the national level and reality sports programmes	Matching grant of an amount equivalent to the sponsorship by private sector

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