



TAX FLASH

OCTOBER 2022 (SPECIAL EDITION NO. 1)

2023 Budget Highlights

Executive Summary

The Pre-Budget Statement for Budget 2023 released on 3rd June 2022 mentioned that the Budget 2023 will be formulated based on the following 3 priority areas:-

- Reinforcing the Momentum of Economic Recovery;
- Strengthening Economic Resilience; and
- Implementing Comprehensive Reforms.

It has provided a snapshot of the Government's acknowledgement of the *Rakyat's* concerns over rising inflationary pressures from global uncertainty in geopolitics, supply chains, commodity and food prices as well as global financial conditions, and the Government's commitment to mitigate the challenges arising therefrom.

The rare occasion of bringing forward the tabling of 2023 Budget has also sparked speculations on the dissolution of the 14th Parliament soon to pave way for the 15th General Election.

With much anticipation and speculation, the Minister of Finance, YB Senator Tengku Datuk Seri Utama Zafrul Bin Tengku Abdul Aziz, has tabled the Budget 2023 themed "***Keluarga Malaysia, Makmur Bersama***" on 7th October 2022, which has 3 agenda namely, "Responsive, Responsible and Reformist".

- Moore Malaysia
- Moore Global
- Inland Revenue Board
- Budget Speech
- Appendices
- Tax Snapshot

One of the notable proposals would be the review of income tax rates applicable to resident individuals and Micro, Small and Medium Enterprises.

In support of middle-income individuals dealing with higher cost of living and to increase their disposable income, it is proposed that the income tax rate applicable to resident individuals be reduced by 2% for chargeable income band between RM50,001 to RM100,000. This proposal is expected to provide tax savings to middle-income and high-income individuals of up to RM1,000 each. Further, to make the individual income tax structure more progressive, it is proposed that the income tax rate applicable for resident individuals at the chargeable income band of RM250,001 to RM400,000 be increased by 0.5%.

On the other hand, to support the increase in competitiveness of Micro, Small and Medium Enterprises and to promote economic growth, it is proposed that the income tax rate applicable to companies or Limited Liability Partnerships having paid-up capital or total contribution of capital of not more than RM2.5 million and gross business income of not exceeding RM50 million on chargeable income for the first RM100,000 be reduced by 2%, from 17% to 15%. This proposal is expected to provide tax savings of up to RM2,000 each benefiting approximately 150,000 applicable taxpayers.

The key proposals outlined in the Budget 2023 are summarised into the following broad categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Investment Incentives
- D. Stamp Duty
- E. Sales and Service Tax and Indirect Tax
- F. Others

Please note that due to the unavailability of the Finance Bill 2022 at the time of publication, we will update you on any further development affecting the above categories in due course.

Legend

ACA	=	Accelerated Capital Allowance
COVID-19	=	Coronavirus Disease 2019
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
MOTAC	=	Ministry of Tourism, Arts and Culture
MSME	=	Micro, Small and Medium Enterprise
PS	=	Pioneer Status
RA	=	Reinvestment Allowance
RMCD	=	Royal Malaysian Customs Department
SC	=	Securities Commission
SOCSSO	=	Social Security Organisation
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 of RM50,001 to RM70,000 and RM70,001 to RM100,000 but for chargeable income band of RM250,001 to RM400,000, the tax rate be increased by 0.5% from 24.5% to 25%
- 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	8	-
50,001 – 70,000	13	11	-2
70,001 – 100,000	21	19	-2
100,001 – 250,000	24	24	-
250,001 – 400,000	24.5	25	+0.5
400,001 – 600,000	25	25	-
600,001 – 1,000,000	26	26	-
1,000,001 – 2,000,000	28	28	-
Exceeding 2,000,000	30	30	-

- Effective YA 2023

2. 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 on medical treatment expenses incurred for:-
 - serious disease for self, spouse and child;
 - fertility treatment for self and spouse;
 - vaccination expenses for self, spouse and child limited to RM1,000; and
 - complete medical examination, mental health check-up or consultation, COVID-19 detection test including the purchase of self-test kit for self, spouse and child limited to RM1,000
- It is proposed that the scope of tax relief be expanded to cover dental examination and treatment expenses of up to RM1,000, provided that such examination or treatment must be provided by dental practitioners registered with the Malaysian Dental Council
- Effective YA 2023

3. Expansion of Scope of Tax Relief for COVID-19 Detection Test for Self, Spouse and Child

- Currently, the scope of tax relief on medical expenses incurred for self, spouse and child covers the cost of COVID-19 detection test (evidenced by receipts issued by a hospital, a clinic or a medical practitioner registered with the Malaysian Medical Council) or the cost of purchase of COVID-19 self-detection test kit which is supported by a valid receipt
- It is proposed that the scope of tax relief be expanded to include test conducted in a laboratory recognised by the Ministry of Health Malaysia
- Effective YA 2023

- 4. Extension of Exemption of Income for Women Returning to Work After Career Break**
- Currently, tax exemption on employment income of up to 12 consecutive months is given to female taxpayers who return to work after being on a career break for at least 2 years and the exemption is granted up to YA 2024
 - It is proposed that this exemption be extended for another 4 years, i.e. from YA 2025 to YA 2028
 - The condition for the career break has also been reviewed whereby in order to qualify for this exemption, the career break must be at least 2 years from the date the application is received by Talent Corporation Malaysia Berhad
 - Effective for applications received by Talent Corporation Malaysia Berhad from 1st January 2023 to 31st December 2027
- 5. Extension of Tax Relief Period for Fees Paid to Child Care Centres and Kindergartens**
- Relief of up to RM3,000 given to either parent of a child on fees paid to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 for the child aged 6 and below be extended for another year
 - Effective for YA 2024
- 6. Extension of Tax Relief Period 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 extended for another 2 years
 - Effective for YA 2023 and YA 2024
- 7. Extension of Special Income Tax Rate for Non-Resident Individuals Holding Key Positions in Companies Granted Incentives for Relocation of Manufacturing Activities in Malaysia**
- Currently, non-resident individuals holding key positions / C-Suite positions in companies that have been granted incentives for relocation of manufacturing activities to Malaysia is subject to income tax at the flat rate of 15% for a period of 5 consecutive years
 - The incentive is subject to the following conditions:-
 - restricted to 5 non-resident individuals employed in each company;
 - the non-resident individual receives a monthly salary of not less than RM25,000; and
 - the non-resident individual attains tax resident status in Malaysia throughout the incentive period
 - It is proposed that the period for application of the above incentive to be submitted to MIDA be extended for another 2 years until 31st December 2024
- 8. Increase in the Maximum Limit for Voluntary Contribution to the EPF Board and Expansion of Scope of Tax Relief on Such Contribution**
- Currently, the maximum limit for making voluntary contribution to the EPF Board by an individual is RM60,000 per year
 - It is proposed that the maximum limit be increased from RM60,000 to RM100,000 per year
 - Relief of up to RM3,000 given to a resident individual on contributions made to *Takaful* or payments for life insurance premium be expanded to cover voluntary contributions to the EPF Board
 - Effective YA 2023
- 9. Tax Identification Number**
- Any individual aged 18 years old and above who is a Malaysian citizen and permanent resident will be automatically assigned a tax identification number ["TIN"]
 - The use of a TIN is mandatory for all instruments and documents to be stamped
 - Effective 1st January 2023

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Review of Income Tax Rate for MSME

- Currently, the preferential tax rate of 17% on chargeable income up to RM600,000 is accorded to the following entities with annual sales of not more than RM50 million:-
 - 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]
 - 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 the tax rate on chargeable income for the first RM100,000 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 RM100,000	15%
RM100,001 to RM600,000	17%
In excess of RM600,000	24%

- Effective YA 2023

2. Introduction of Global Minimum Effective Tax Rate and Qualified Domestic Minimum Top-up Tax

- It is proposed that global minimum effective tax rate be introduced as per the announcement made by the Organisation for Economic Co-operation and Development [“OECD”] via Pillar 2 of the Base Erosion and Profit Shifting Action Plan 1
- The MOF is planning to implement a Qualified Domestic Minimum Top-up Tax upon completion of detailed study, targeted for the year 2024

3. Review of Tax Treatment on UBL for Companies Involved in Sectors with Long Gestation Periods

- Currently, the unabsorbed business losses [“UBL”] for the current year of assessment are only allowed to be carried forward up to 10 consecutive years of assessment effective YA 2019 and any UBL at the end of the 10-year period shall be disregarded
- It is proposed that the limit for carry-forward of UBL up to the 10-year period be extended to 20 years for companies involved in sectors with long gestation periods, such as companies involved in forest plantation and hydroelectric projects

4. 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 now proposed that the definition be expanded to include intangible assets such as software
- The effective date of this proposal is unknown, pending release of the Finance Bill 2022

5. Expansion of Scope of Further Deduction for Employment of Senior Citizen, Ex-Convict, Parolee, Supervised Person and Ex-Drug Dependant

- Currently, an employer is given further tax deduction of remuneration incurred by him for employment of senior citizen, ex-convict, parolee, supervised person and ex-drug dependent 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 registered care centres under the Social Welfare Department
- Effective YA 2023 to YA 2025

6. 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

7. 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

8. 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 as such expenditure is not revenue expenditure
- It is proposed that a special tax deduction of up to RM500,000 be given to hoteliers in respect of the expenditure incurred on Malaysian-made handicraft purchased from handicraft entrepreneurs certified by Malaysian Handicraft Development Corporation (*Perbadanan Kemajuan Kraftangan Malaysia*) for display at hotel premises
- Effective for eligible expenditure on handicraft products incurred from 1st January 2023 to 31st December 2023

9. Tax Deduction for Rental of Electric Vehicle

- 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 but subject to the following limits as provided for under Section 39(1)(k) of the ITA 1967:-

- cost of vehicle not exceeding RM150,000, the maximum rental amount allowed for tax deduction is RM100,000; and
- cost of vehicle exceeding RM150,000, the maximum rental amount allowed for tax deduction is RM50,000
- It is proposed that the deductible rental amount for EV be allowed up to a maximum of RM300,000
- Effective YA 2023 to YA 2025

10. Tax Deduction for Sponsorship of Smart Artificial Intelligence (AI)-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 technology and communication 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 AI-Driven Reverse Vending Machine
- Effective for contribution / sponsorship and application received by MOF from 1st January 2023 until 31st December 2024

11. Tax Deduction for Donation Made to Non-Governmental Organizations Involved in Sports Development at Grassroot Level

- It is proposed that tax deduction on donation be given to donors who donated to Non-Governmental Organisation that involved in sports development at grassroot level
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

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

- In order to support the industry players to produce high quality creative content, 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

13. Tax Deduction for Contribution to the Trust Account for Treatment of Rare Diseases

- In July 2022, the Government has established a Trust Account for Treatment of Rare Diseases for all parties to make contributions
- It is proposed that tax deduction equal to the actual amount of contribution made to the trust account be given to the contributors
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

14. Review of Tax Incentive for Automation in Manufacturing and Services Sectors

- Please refer to Part C5 below

15. Income Tax Exemption on Welfare Hospitals

- It is proposed that an income tax exemption 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

16. Payment of Income Tax

- Currently, payments of income tax can be made through the following channels:-
 - ByrHasil – online payment platform developed by the IRB;
 - Online / internet banking of commercial banks appointed as the collection agents;
 - Payment counters of Pos Malaysia and appointed commercial banks;
 - IRB payment counters via debit / credit cards;
 - Cash Deposit Machine (appointed commercial banks); and
 - Auto Teller Machine (appointed commercial banks)
- It is proposed that taxpayers be required to make income tax payments via electronic means
- Effective YA 2024

C. Investment Incentives

1. Tax Incentive 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
- In order 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
 - ITA of 100% for a period of 5 years and allowable for set-off against 100% of statutory income for each year of assessment
- Effective for applications received by MIDA from 8th October 2022 until 31st December 2025

2. Introduction of New Schedule for Reinvestment of Hotel and Selected Tourism Projects

- Currently, there is no RA given for services sector under the ITA 1967
- It is proposed that a new schedule for reinvestment of hotel and selected tourism projects under the ITA 1967 be introduced to provide RA at 60% on the qualifying capital expenditure for a period of 5 consecutive years
- The RA will be set-off against 70% of the statutory income of a business
- The RA incentive is given to companies undertaking renovation, expansion and modernisation activities for the following:-
 - 1 to 5-star hotels registered with MOTAC; and
 - selected tourism projects namely theme park and convention centre with a capacity of at least 3,000 participants and registered with MOTAC
- Effective YA 2023 until YA 2027

3. 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

4. Tax Incentive 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 of a business;
 - 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 of a business;
 - 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 from the YA 2023 to YA 2027 on fees incurred for the use of CCS services
- Effective for applications received by MOF from 1st January 2023 to 31st December 2027

5. Review of Tax Incentive for Automation in Manufacturing and Services Sectors

- Currently, manufacturing and services companies which incur qualifying capital expenditure on automation equipment is given tax incentive as follows:-
 - Category 1 : Labour-intensive industry (rubber, plastic, wood and textile products)
 - ACA of 100% for automation equipment on the first RM4 million for qualifying capital expenditure incurred; and
 - 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
- Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment
- It is now proposed that the ACA for automation equipment be enhanced as follows:-
 - 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 Industries from 1st January 2023 to 31st December 2027

6. Review of Tax Incentive for Green Technology

- It was proposed in Budget 2022 that the scope of qualifying capital expenditure on green assets be expanded to include Rainwater Harvesting System projects as certified by the Malaysian Green Technology Corporation. The tax incentive is given for the following:-
 - Green Investment Tax Allowance ["GITA"]
 - ITA of 100% of qualifying capital expenditure for a period of 3 years for qualifying green activity and to be set off against 70% of statutory income
 - Green Investment Tax Exemption ["GITE"]
 - Income tax exemption of 70% of statutory income for a period of 3 years for qualifying green services activities; and
 - Income tax exemption of 70% of statutory income for a period of up to 10 years of assessment for solar leasing companies certified by Sustainable Energy Development Authority

- To support the green technology development initiatives, it is now proposed that the tax incentives for qualifying green activities under GITA and GITE be reviewed based on tiering approach as follows:-
 - ITA of 60% for solar activity; and ITA of 100% for activity other than solar including Battery Energy Storage System [“BESS”];
 - tax incentive period be extended from 3 years to 5 years for selected project; and
 - application period for tax incentives be extended for another 2 years
- The details of tiering approach for GITA and GITE are as follows:-

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

- Effective for applications received by MIDA from 1st January 2024 to 31st December 2025

7. Review of Tax Incentive for Food Production Project

- Currently, the tax incentives for food production projects are given as follows:-
 - 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:-
 - a new food production project is given 100% income 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% income 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
 - In order to promote the participation of industry players in agriculture sector and to ensure the security of domestic food supply, it is proposed that the scope of tax incentive be expanded to include agricultural-based projects on Controlled Environment Agriculture and the tax incentive period be extended for another 3 years

- Effective for applications received by Ministry of Agricultural and Agro-Based Industry from 1st January 2023 to 31st December 2025

8. Review of Tax Incentive for Tour Operators

- Effective up to YA 2020, income tax exemption of 100% was given on statutory income derived from the following tour packages operated by tour operating companies licensed under the Tourism Industry Act 1992:-
 - tour packages to Malaysia with participation of at least 750 inbound tourists per year of assessment; and
 - tour packages within Malaysia with participation of at least 1,500 local tourists per year of assessment
- During the COVID-19 pandemic, under the Strategic Programme to Empower the People and Economy [“PEMERKASA”], the above tax incentive was revised as follows:-
 - extended for a period of 2 years from YA 2021 to YA 2022; and
 - tourism packages within Malaysia with participation of at least 200 local tourists per year of assessment
- To boost tourism activities in Malaysia during the transition phase to endemic, it is now proposed that the tax incentive conditions be further revised as follows:-
 - tourism packages within Malaysia with participation of at least 400 local tourists per year of assessment; or
 - tourism packages to Malaysia with participation of at least 200 inbound tourists per year of assessment; and
 - the 100% tax exemption is extended for another year
- Effective for YA 2023

9. Extension and Expansion of Tax Exemption for Individuals Investing in Equity Crowdfunding

- Currently, a tax exemption on the aggregate income be given to a qualifying individual for investment made in an investee company through an equity crowdfunding platform or a nominee company
- Exemption is granted to a qualifying individual in the second year of assessment following the initial year of assessment in which an investment is made. The qualifying person is given a tax exemption on his aggregate income:-
 - equivalent to 50% of the investment amount made (restricted to RM50,000) for each year of assessment; and
 - limited to 10% of the aggregate income of the qualifying individual for the year of assessment in which the exemption is granted
- To qualify for the exemption, the qualifying individual must make the investment in an investee company:-
 - between 1st January 2021 and 31st December 2023; and
 - in the form of holding shares which are paid in cash to the investee company through an equity crowdfunding platform or through a nominee company
- Other conditions that have to be met to qualify for the exemption are:-
 - the qualifying individual must obtain an annual certification (as verified by the SC) from the equity crowdfunding operator in relation to the investment and the amount of investment made;
 - the investment must not be disposed of either partially, or in full, within 2 years from the date the investment is made; and
 - the qualifying individual must not have any family relationships with the investee company
- It is now proposed that:-
 - the scope of the tax incentive be expanded to include investment made by individual investor through LLP Nominee Company; and
 - investment period be extended for another 3 years
- Effective for investment made from 1st January 2024 until 31st December 2026

10. Extension of Tax Incentive for Angel Investor

- The application period for an angel investor to claim tax exemption equivalent to the amount of the investment made in the investee company ["IC"] be extended for another 3 years
- Qualifying criteria:-
 - Angel Investor
 - an individual who is a tax resident in Malaysia and whose income is not solely derived from business;
 - none of his family members makes any investment in the IC;
 - investment made in the IC shall not exceed 30% of its total paid-up share capital; and
 - the investment is solely for the purpose of financing the activities of the IC approved by the MOF
 - IC
 - incorporated under the Companies Act 2016 and a tax resident in Malaysia;
 - at least 51% of the issued share capital is directly owned by a Malaysian citizen (other than the angel investor); and
 - carries on the qualifying activities approved by the MOF
- Effective for applications received by the MOF from 1st January 2024 to 31st December 2026

11. Review of Tax Incentive for Bionexus Status Company

- Currently, a 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)
- The above is given for applications received by Malaysian Bioeconomy Development Corporation from 1st January 2021 to 31st December 2022
- It is proposed that:-
 - the tax exemption on statutory income be increased from 70% to 100%; and
 - 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

12. Extension of Tax Incentives for Manufacturer of Pharmaceutical Products

- Currently, manufacturer of pharmaceutical products including vaccines is eligible for tax incentive as follows:-
 - income tax rate of 0% to 10% for the first 10 years; and
 - income tax rate of 10% for the subsequent 10 years
- It is proposed that the application period for the above tax incentive be extended for another 3 years
- Effective for applications received by MIDA from 1st January 2023 until 31st December 2025

13. Extension of Tax Incentive for Global Trading Centre

- Currently, companies carrying on business in respect of strategic sourcing, procurement and distribution of raw materials, components and finished products to other companies within or outside Malaysia will be charged to tax at a concessionary rate of 10% for a period of 5 years and renewable for another 5 years
- It is proposed that the application period for the above tax incentive be extended for another 3 years
- Effective for applications received by MIDA from 1st January 2023 until 31st December 2025

14. Extension of Tax Incentives for Aerospace Industry

- Currently, 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, and engineering & design / services related are given tax incentives as follows:-

- New Company
 - 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 for each year of assessment
- Existing Company
 - ITA of 60% for a period of 5 years and can be set-off against 70% of statutory income for each year of assessment
- It is proposed that the applications for the above tax incentive which is due to end on 31st December 2022 be extended for another 3 years
- Effective for applications received by MIDA from 1st January 2023 until 31st December 2025

15. Extension of Tax Incentive for Ship Building and Ship Repairing Industry

- Currently, the following tax incentives are given to the companies undertaking Ship Building and Ship Repair ["SBSR"] activities in Malaysia:-
 - New Company
 - 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 for each year of assessment
 - Existing Company
 - ITA of 60% on the qualifying capital expenditure incurred within 5 years and can be set off against 70% of statutory income for each year of assessment
- The tax incentive is for applications received by MIDA from 1st January 2020 until 31st December 2022
- It is proposed that existing tax incentive and *bona fide* status be extended for another 5 years
- Effective for:-
 - SBSR applications received by MIDA from 1st January 2023 until 31st December 2027
 - *bona fide* status applications received by the MOF from 1st January 2023 until 31st December 2027

16. Extension of Tax Exemption for Principal Hub Incentive

- Currently, an approved Principal Hub is eligible to enjoy the following concessionary income tax rates:-
 - New Company
 - Tier 1 : 0% income tax rate for a period 5 years and eligible for renewal for another 5 years subject to the following criteria:-
 - employment of at least 50 high valued workers;
 - employment of at least 5 key posts personnel; and
 - annual operational expenditure of at least RM10 million
 - Tier 2 : 5% income tax rate for a period of 5 years and eligible for renewal for another 5 years subject to the following criteria:-
 - employment of at least 30 high valued workers;
 - employment of at least 4 key posts personnel; and
 - annual operational expenditure of at least RM5 million
 - Existing Company
 - 10% income tax rate for a period of 5 years subject to the following criteria:-
 - employment of at least 30 high valued workers;
 - employment of at least 5 key posts personnel; and
 - annual operational expenditure of at least RM10 million
- It is proposed that the window period for the applications received by MIDA which is due to end on 31st December 2022 be extended for another 3 years
- Effective for applications received by MIDA from 1st January 2023 to 31st December 2025

17. Extension of Tax Incentive for Development of Intellectual Property

- Currently, 100% tax exemption is given on royalty and licensing income derived from the following qualifying intellectual property ["IP"] assets for a period up to 10 years to encourage the development of IP:-
 - patent or utility innovation under the Patents Act 1983 or the equivalent law of any country or territory;
 - copyrighted software under the Copyright Act 1987; and
 - family qualifying IP
- The above exemption is only applicable to income derived from IP developed in Malaysia which is in accordance with the guidelines on Modified Nexus Approach and applications must be received by MIDA from 1st January 2020 to 31st December 2022
- It is proposed that the above incentives be extended for another 3 years
- Effective for applications received by MIDA from 1st January 2023 to 31st December 2025

18. Extension of Tax Exemption for Medical Tourism

- Currently, private healthcare companies undertaking new investment or engaging in expansion, modernisation or refurbishment activities are eligible for income tax exemption equivalent to ITA of 100% of qualifying capital expenditure for a period of 5 years and can be set-off against up to 100% of statutory income
- The tax incentive is subject to the following conditions:-
 - 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
 - at least 10% of company's gross income for each year of assessment is derived from services to qualified healthcare travellers
- It is now proposed that the window period for the applications received by MIDA which is due to end on 31st December 2022 be extended for a period of 3 years
- Effective for applications received by MIDA from 1st January 2023 until 31st December 2025

19. Extension of Period of Tax Incentive for Export of Private Healthcare Services

- Currently, the private healthcare sector is given an exemption of statutory income equivalent to 100% of the value of increased exports of healthcare services and the exemption can be set-off against 70% of statutory income
- Conditions:-
 - at least 10% of the total number of patients receiving private healthcare services are qualified healthcare travelers for each year of assessment; and
 - at least 10% of the company's gross income is derived from qualified healthcare travelers for each year of assessment
- It is proposed that the above income tax exemption be extended for another 3 years
- Effective YA 2023 until YA 2025

20. Special Status for Pengerang for the Chemical and Petrochemical Industries

- It is proposed that Pengerang be granted a special status as incentive to promote investment in chemical and petrochemical industries

D. 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
- To streamline the treatment, it is proposed that the abovementioned stamp duty exemption and remission be replaced by the charge of stamp duty at the fixed rate of RM10, on the condition that the recipient of the immoveable property is a Malaysian citizen. The same fixed rate shall also apply to instrument of transfer of immoveable property between grandparents and grandchildren
- Effective for instrument of transfer executed from 1st January 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 January 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. Stamp Duty Remission for First-Time Purchase of Residential Property Valued More Than RM500,000 up to RM1 Million

- 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, up to instrument / agreement executed on 31st December 2023

5. Tax Identification Number

- Please refer to Part A9 above

6. Reform of Stamp Duty Assessment Process and Payment of Stamp Duty

- Currently, applications for stamp duty assessment shall be made via Stamp Assessment and Payment System ["STAMPS"] except for individuals where applications can be made manually at the Stamp Duty Counters. However, individuals wishing to apply for stamp duty assessment for security instruments, tenancy / leasing agreements or general stamping are required to fill in information of the relevant instruments via STAMPS first before visiting the Stamp Duty Counters. On the other hand, payments of stamp duty can be made through STAMPS or at Stamp Duty Counters
- It is proposed that all stamp duty assessment and payment of stamp duty be made via STAMPS only by year 2024

E. Sales and Service Tax and Indirect Tax

1. Tax Incentive for Carbon Capture and Storage Technology

- Please refer to Part C4 above

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

- 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 that 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 for applications received by the MOF from 1st January 2023 to 31st December 2024

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

- To support 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 reviewed as follows:-
 - Exemption is expanded to:-
 - executive taxis and TEKS1M; and
 - airport taxis (budget, premier and family)
 - Vehicle age condition is relaxed to at least 5 years from the date of registration
- Effective for applications received by the RMCD from 1st January 2023

4. Extension of Import Duty and Excise Duty Exemption on Imported Completely Built-up Electric Vehicles

- For the purpose of encouraging domestic demand for EV and 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 that full import duty and excise duty exemption on imported completely built-up EV be extended for another year, i.e. from 1st January 2024 to 31st December 2024
- In addition, it is proposed that Approved Permit ["AP"] holders be exempted from payment of the AP fees in respect of importation of EV until 31st December 2023

5. Excise Duty Exemption on Tourism Vehicles

- To support the recovery of the tourism industry that has been badly affected by the COVID-19 pandemic, it is proposed that 50% excise duty exemption be given on the purchase of new locally assembled tourism vehicles as follows:-
 - Hire and drive cars for tourists; and
 - Excursion bus

- Effective for applications received by the MOF from 1st January 2023 to 31st December 2024

6. Extension of Sales Tax Exemption for the Purchase of Locally Assembled Bus

- To reduce the operating costs and assist the bus operators to sail through the transition to endemic, it is proposed that sales tax exemption for the purchase of locally assembled bus be extended for a period of 2 years
- Effective for applications received by the MOF from 1st January 2023 to 31st December 2024

7. 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 5 years
- Effective for applications received by the MOF from 1st January 2023 to 31st December 2027

8. Service Tax Exemption on Digital Services Related to Banking / Financial Services

- To streamline the tax treatment on digital services related to banking / financial services by local non-bank digital payment service providers, it is proposed that service tax exemption be given to:-
 - Recipients of digital payment services; and
 - Local non-bank digital payment service providers as below:-
 - payment instrument issuers;
 - merchant acquirers; and
 - 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
- For local non-bank digital payment service providers : effective 1st August 2022 to 31st July 2025
- For local financial institutions / banks and any qualified service providers : effective 1st January 2020 to 31st July 2025

F. Others

1. Existing Hiring Employment Incentives for Employers under SOCSO

- The Government will continue the Hiring Incentive under SOCSO to encourage employers to provide job opportunities for “*Keluarga Malaysia*” who are unemployed particularly the disabled, “*orang asli*”, ex-convicts and women returning to work in year 2023
- Hiring incentive of between RM600 to RM750 per month will be paid for a period of three (3) months to the employer
- This incentive will also be provided to those veterans and employers and private employment agencies that replace foreign workers with local workers

2. New Hiring Incentives for Employers under SOCSO

- Incentives under SOCSO will be given to employers who hire youths aged 18 to 30 years who have been unemployed for more than 3 months
- This incentive is also extended to employers who hire technical and vocational education and training graduates

3. SOCSO Contribution for Self-Employed Individuals

- The Government will introduce mandatory contributions under Self Employment Social Security Scheme [“SKSPS”] of SOCSO starting next year for all self-employed, particularly high risk sectors
- To ease the burden of self-employed, the Government will bear 80% of the SOCSO contribution and self-employed individuals (such as food delivery drivers, farmers, fishermen, FINAS artists and hawkers will only have to pay 20% of the contribution

- This scheme will be extended to include those working as taxi drivers and gig workers in information technology sector
- Effective year 2023

4. Grants

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

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
1.	One-off Grant	RM1 billion	1 million registered MSME and registered taxi drivers	RM 1,000
2.	Tourism Sector	RM90 million	Companies involved in the promotion and marketing campaigns, and organising tourism programs, including international sporting events	Matching grant
3.	<i>Prihatin Komuniti</i> Grant	RM20 million	2,000 resident associations carrying out voluntary activities	Not specified
4.	Pharmaceutical Sector	RM20 million	Local companies involved in development of products and nurture local talents in medical device industry	Matching grant
5.	Aerospace Sector	RM20 million	New and existing aerospace companies undertaking development of aerospace or components	Matching grant
6.	Carbon Tax / Carbon Pricing Mechanism	RM10 million	To help in preparation of carbon assessments for small and medium enterprise companies and eligible related products	Matching grant

For other issues of our Tax Flash, please go to:
www.moore.com.my/publications