



# MALAYSIA BUDGET 2023 HIGHLIGHTS

Aligning your business with recent changes  
(With Updates from the Finance Bill 2023)

14 March 2023

**IBDO**



## EXECUTIVE SUMMARY

The Prime Minister and Finance Minister of the new Unity Government, Dato' Seri Anwar bin Ibrahim, had re-tabled the Malaysian Government's 2023 Budget on 24 February 2023. This is a revision of the original Budget tabled on 7 October 2022, before the Malaysian general elections on 19 November 2022. The Finance Bill 2023 was issued on 14 March 2023.

In his speech, the Minister highlighted challenges to exercise strict fiscal discipline while balancing revenue capacity and spending commitment as well as gradually reducing the government's debt and liabilities. Although Malaysia's GDP had recorded a growth rate of 8.7% in 2022, this is tempered by a declining trend in the quarterly growth rates, viz., 3.8% in the first quarter, 3.5% in the second quarter, 1.9% in the third quarter and -2.6% in the fourth quarter.

The government is forecasting Malaysia's GDP to grow by 4.5% this year. Revenue collections are expected to be RM291.5 billion compared to RM294.4 billion in the previous year. In line with an expansionary fiscal policy, Budget 2023 will allocate RM388.1 billion for expenditure, with RM289.1 billion for operational expenditure and RM99 billion for development expenditure including RM2 billion as contingency reserve. Nevertheless, the fiscal deficit for 2023 will be lowered to 5% compared to 5.6% in 2022. The government is committed to reduce the fiscal deficit to a targeted 3.2% by 2025.

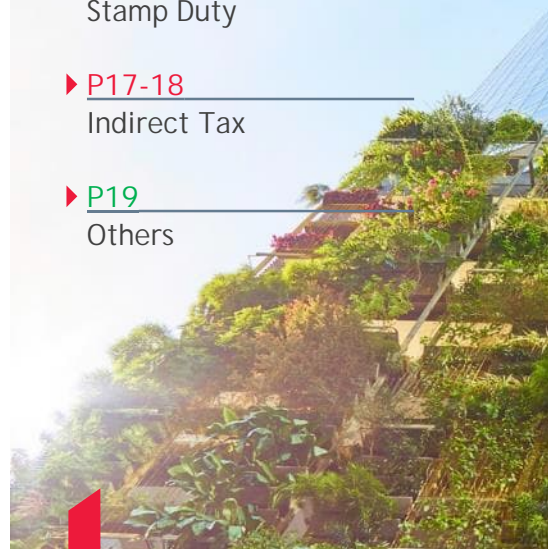
With a theme of "Developing a Malaysia MADANI", the three key thrusts of this Budget are:

- Driving economic growth that is inclusive and sustainable;
- Institutional and governance reforms to restore confidence; and
- Social justice to reduce inequalities.

### KEY TAKEAWAYS

#### EXECUTIVE SUMMARY

- ▶ [P4-P6](#)  
Personal Tax
- ▶ [P7-P10](#)  
Corporate Tax
- ▶ [P11-P13](#)  
Tax Incentives
- ▶ [P14](#)  
Real Property Gains Tax
- ▶ [P15-16](#)  
Stamp Duty
- ▶ [P17-18](#)  
Indirect Tax
- ▶ [P19](#)  
Others





---

# EXECUTIVE SUMMARY

In this Budget, one of the Government's focus is to increase its revenue collections from the wealthy and higher income earners, whilst providing relief to the rest. This is evident from the proposed introduction of a luxury goods tax, capital gains tax on disposal of unlisted shares for companies, reduction in the corporate tax rate for micro, small and medium enterprises from 17% to 15% on their first RM150,000 of chargeable income, and the restructuring of the income tax rates of resident individuals.

Also of special note is the proposed reintroduction of the voluntary disclosure programmes for the Malaysian Inland Revenue Board (IRB) and Royal Malaysian Customs Department (RMCD), with a waiver of 100% of the penalty for submissions from 1 June 2023 to 31 May 2024.

The following includes a summary of the key tax measures in the revised Budget 2023 and Finance Bill 2023. We hope that you will find it informative and useful.



# PERSONAL TAX

## Review of Income Tax Rate for Resident Individual

- Effective year of assessment (YA) 2023 to make the individual income tax structure more progressive, it is proposed that the income tax rates for resident individuals:
  - be reduced by 2% for chargeable income band of RM35,001 to RM100,000;
  - be increased by 1% for chargeable income band of RM100,001 to RM250,000;
  - be increased by 0.5% for chargeable income band of RM250,001 to RM400,000;
  - be increased by 1% for chargeable income band of RM400,001 to RM600,000; and
  - be increased by 2% for chargeable income band of RM600,001 to RM1,000,000.

Chargeable Income (RM)	Current		Proposed		(Tax Savings) / Additional Tax	
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)	(%)
0 - 5,000	0	-	0	-	0	0
5,001 - 20,000	1	0 *	1	0 *	0	0
20,001 - 35,000	3	200 *	3	200 *	0	0
35,001 - 50,000	8	1,800	6	1,500	(300)	(16.67)
50,001 - 70,000	13	4,400	11	3,700	(700)	(15.91)
70,001 - 100,000	21	10,700	19	9,400	(1,300)	(12.15)
100,001 - 250,000	24	46,700	25	46,900	200	0.43
250,001 - 400,000	24.5	83,450	25	84,400	950	1.14
400,001 - 600,000	25	133,450	26	136,400	2,950	2.21
600,001 - 1,000,000	26	237,450	28	248,400	10,950	4.61
1,000,001 - 2,000,000	28	517,450	28	528,400	10,950	2.12
Above 2,000,000	30		30			

\* After a rebate of RM400 for chargeable income not exceeding RM35,000.





# PERSONAL TAX

## Expansion of Income Tax Relief for Medical Expenses for Self, Spouse and Child

- It is proposed the scope of income tax relief for medical treatment expenses be expanded to include the intervention expenditure for Autism, Attention Deficit Hyperactivity Disorder (ADHD), Global Development Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities limited to RM4,000 on a child who at any time in that basis year is of the age of 18 years and below as follows:
  - i. diagnostic assessment certified by a medical practitioner registered with the Malaysian Medical Council (MCC);
  - ii. early intervention and rehabilitation programmes conducted in Malaysia by health profession practitioners registered under the Allied Health Profession Act 2016.
- With the expansion of scope, it is proposed that the amount of total tax relief for medical treatment expenditure be increased from RM8,000 to RM10,000.
- The proposal is effective from YA 2023.

## Expansion of Scope for Contribution to Employees Provident Fund (EPF)

- It is proposed that the scope of tax relief of RM3,000 for life insurance premium or Takaful contribution be expanded to include additional voluntary EPF contribution that is applicable to civil servants under the pension scheme.
- The proposal is effective from YA 2023.

## Extension of Tax Relief Period for Fees Paid to Childcare Centre and Kindergartens

- It is proposed that for fees paid to childcare centre and kindergartens up to RM3,000 to be extended for one (1) year to YA 2024.

## Tax Deduction for Contributions Made to Sports Development Non-Profit Organization

- It is proposed that contribution made by individuals to Non-Profit Organization that carry out sports development program will be allowed as a deduction of up to 10% of aggregate income.
- The effective date of the above proposal and if any conditions to be imposed has yet to be announced.



---

# PERSONAL TAX

## Revision of Estimate Tax Payable (CP500)

- It is proposed that the application for revision of estimate tax payable to be made once not later than 30th day of June or once not later than 31st day of October, or both for the YA preceding that YA.
- The proposal is effective from YA 2023.

## Mandatory Filing of Returns via Electronic Medium

- It is proposed that the taxpayers are required to furnish a return in the prescribed form on an electronic medium or by way of electronic transmission.
- The proposal is effective from YA 2024.





# CORPORATE TAX

## Review of Corporate Income Tax Rate for Micro, Small and Medium Enterprises (MSMEs)

- To increase the competitiveness of MSMEs, it is proposed that the income tax rate for MSMEs be reduced as follows:

Chargeable income	Current income tax rate (%)	Proposed income tax rate (%)
First RM150,000	17%	15%
RM150,001 to RM600,000	17%	17%
Exceeding RM600,000	24%	24%

- MSMEs refer to companies with paid-up capital in respect of ordinary shares of not more than RM2.5 million and limited liability partnerships with a capital contribution of not more than RM2.5 million, provided the annual gross income from business sources of the MSMEs is not more than RM50 million.
- The above proposal is effective from YA 2023.
- In addition, it is proposed that effective from YA 2024, the above reduced rates will not be given to an MSME if 20% or more of the paid-up capital in respect of ordinary shares or capital contribution of the MSME 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.

## Special Tax Deduction for Expenditure on Malaysian-Made Handicraft by Hoteliers

- It is proposed that hoteliers be given a special tax deduction of up to RM150,000 on qualified Malaysian-made handicraft purchased from local handicraft entrepreneurs registered with Perbadanan Kemajuan Kraftangan Malaysia.
- The special deduction is given for expenditure incurred from 1 January 2023 to 31 December 2025.

## Review of Tax Deduction on Cost of Listing in Bursa Malaysia

- Currently, tax deduction of up to RM1.5 million is given on expenses incurred by technology-based companies for listing in Access, Certainty, Efficiency (ACE) Market and by MSMEs in the Leading Entrepreneur Accelerator Platform (LEAP) Market. The qualifying expenses are as follows:
  - Fees to authorities;
  - Professional fees; and
  - Underwriting, placement and brokerage fees.
- It is proposed that the tax deduction be reviewed as follows:
  - The existing tax deduction on the cost of listing on the ACE and LEAP Markets is extended for another 3 years from YA 2023 to YA 2025; and
  - The tax deduction is expanded to cover the cost of listing technology-based companies on the Main Market.
- This proposal aims to encourage more listing of technology-based companies and MSMEs in Bursa Malaysia.



# CORPORATE TAX

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

- It is proposed that tax deduction be given on the cost of issuing SRI-linked sukuk that is approved or permitted or deposited with the Securities Commission Malaysia for a period of 5 years from YA 2023 to YA 2027.
- The above proposal aims to provide an innovative Shariah-compliant financing and to place Malaysia as a regional hub for issuance of SRI-linked sukuk.

## Tax Incentive for Rental of Electric Vehicles (EV)

- Currently, companies renting non-commercial motor vehicles are given tax deduction of up to RM50,000 or RM100,000 depending on the cost of the motor vehicle.
- To encourage the utilization of low-carbon vehicles, it is proposed that tax deduction of up to RM300,000 be given for the rental of electric vehicles.
- The proposal is effective from YA 2023 to YA 2025.

## Tax Incentive for Carbon Capture and Storage (CCS)

- In order to achieve net zero greenhouse gas emission, it is proposed that tax incentives be given as follows:
  - Companies undertaking CCS in-house activity
    - Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years which can be used to set off against up to 100% of statutory income;
    - Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027; and
    - Tax deduction for allowable pre-commencement expenses within 5 years prior to the date of commencement of operation.

## ii. Companies providing CCS services

- Either ITA of 100% of qualifying capital expenditure for a period of 10 years which can be used to set off against up to 100% of statutory income or tax exemption of 70% on statutory income for a period of 10 years; and
- Full import duty and sales tax exemption on equipment used for CCS technology from 1 January 2023 until 31 December 2027.

## iii. Companies engaging CCS services

- Tax deduction on fees incurred for use of CCS services for YA 2023 to YA 2027.
- The incentives under (i) and (ii) above are for applications received by the Ministry of Finance from 25 February 2023 to 31 December 2027.





# CORPORATE TAX

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

- It is proposed that tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be given to companies and other than companies (individuals, partnerships, trust and cooperatives that have business income) that make donations or sponsorships of AI-driven reverse vending machines.
- The tax deduction is for donation / sponsorship made an application received by the Ministry of Finance from 1 April 2023 to 31 December 2024.
- This proposal aims to support the recycling of plastic waste ecosystem and increase the rate of plastic collection for recycling in the country.

## Tax Incentive for Chicken Rearing in Closed House System

- It is proposed that the following tax incentives be given to businesses that adopt environmental-friendly closed house system for chicken rearing:
  - i. Accelerated Capital Allowance (ACA) of 100% on the qualifying capital expenditure; and
  - ii. Income tax exemption of 100% equivalent to the qualifying capital expenditure.
- The tax incentives are given on qualifying capital expenditure incurred from YA 2023 to YA 2025.

## Expansion of Double Deduction for the Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants

- Currently, double deduction is given to employers on remunerations paid for the employment of the abovementioned persons until YA 2025.
- It is proposed that the scope of the double deduction be expanded to include the employment of inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department, protection and rehabilitation institutions and registered care centres under the Social Welfare Department.
- The proposal is effective from YA 2023 to YA 2025.

## Income Tax Exemption for Charitable Hospitals

- It is proposed that charitable hospitals registered as company limited by guarantee be given income tax exemption equivalent to the amount of charitable expenditure incurred.
- Donors will be given tax deduction of up to 10% of the aggregate income on donations made to such hospitals.
- The effective date of the above proposal has yet to be announced.

## Income Tax Deduction for the Employment of Former National Athletes

- It is proposed that tax deduction is given to employers on remunerations paid for the employment of former national athletes.
- However, details and effective date of the above proposal have yet to be announced.



# CORPORATE TAX

## Withholding Tax on Payments made to Agents, Dealers or Distributors

- Currently, monetary payments made by a company to its agents, dealers or distributors who are resident individuals are subject to withholding tax at the rate of 2%. The company is required to remit the withholding tax to the IRB within 30 days after paying or crediting such payments to the agents, dealers or distributors.
- It is proposed that the withholding tax in respect of payments made to agents, dealers or distributors in a calendar month is to be remitted to the IRB not later than the end of the following calendar month.
- The proposal is effective from 1 January 2023.

## Definition of "Plant" for Capital Allowance Purposes

- The definition of "plant" in Schedule 3 of the Income Tax Act 1967 excludes 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 an intangible asset such as a software be considered as a plant and the Minister of Finance may prescribe any other assets as assets which are excluded from the definition of "plant".
- The proposal is effective from YA 2023.

## Revision to Notice of Instalment Payment (CP 500)

- Currently, a taxpayer other than a company, trust body, co-operative society or limited liability partnership which pays taxes in advance by instalments via CP 500 is allowed to revise the tax instalment scheme not later than 30 June for the relevant YA.
- It is proposed that a revision to CP 500 is allowed twice for a YA, i.e. once not later than 30 June or once not later than 31 October or both.
- The proposal is effective from YA 2023.

## Electronic Filing of All Tax Returns Including Amended Returns And Returns by Employer (Forms E)

- It is proposed that effective from YA 2024, all taxpayers shall furnish to the IRB tax returns in an electronic form or by way of electronic transmission which include the submission of amended returns and Forms E.





# TAX INCENTIVES

## Tax Incentives for Manufacturer of EV Charging Equipment

- It is proposed that manufacturers of EV charging equipment are given the following incentives:
  - i. Income tax exemption of 100% on statutory income from (YA) 2023 to YA 2032; or
  - ii. Investment Tax Allowance of 100% for a period of 5 years, set-off against 100% of statutory income for each YA.
- This is for applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025.
- The above proposal aims to attract immediate high-value investment in the manufacturing of EV charging equipment.

## Review of Tax Incentives for Food Production Project

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

- It is proposed that the above tax incentives for food production projects be reviewed as follows:
  - i. Scope of tax incentive is further expanded to include agricultural projects based on Controlled Environment Agriculture (CEA); and
  - ii. Application of tax incentives be extended for a period of 3 years.
- This is applicable for applications received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 until 31 December 2025.
- The above proposal aims to further promote participation of industry players in agriculture sectors and to ensure the security of domestic food supply.

## Review of Tax Incentives for BioNexus Status Company

- It is proposed that the tax incentives for BioNexus status companies be reviewed as follows:
  - i. Income tax exemption on statutory income is increased from 70% to 100%; and
  - ii. The application period be extended for another 2 years.
- This is for applications received by the Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.
- The above proposal aims to encourage more investors into the industry.



---

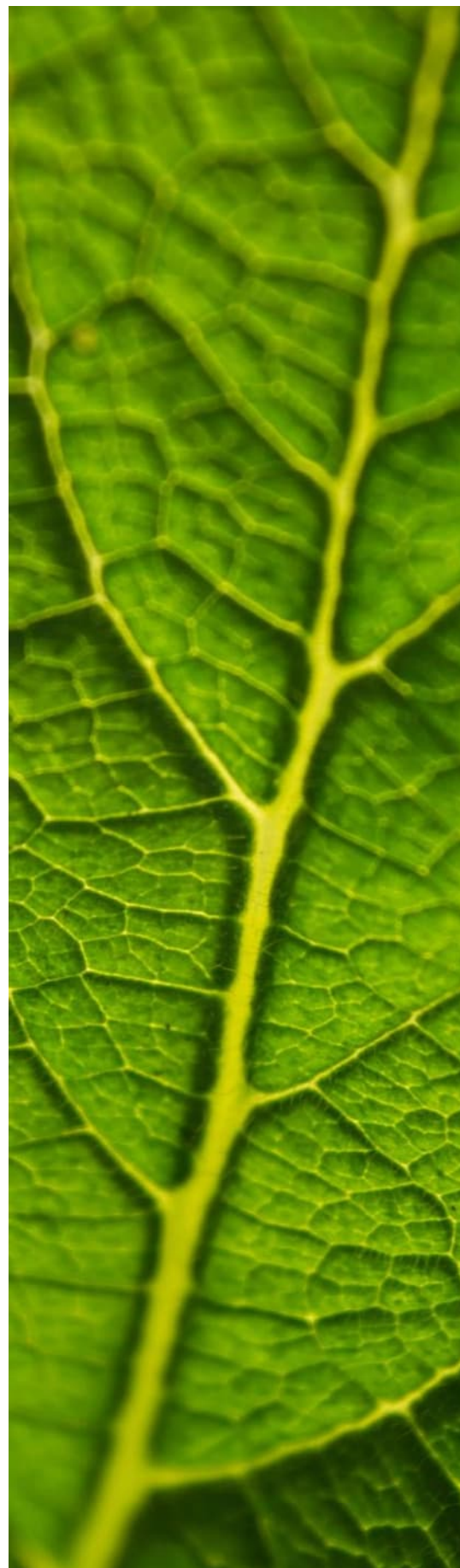
# TAX INCENTIVES

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

- Manufacturing and services companies under the following categories are given ACA of 100% on qualifying capital expenditure incurred for automation equipment and can be utilized within 1 year:
  - a. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products) (on the first RM4 million qualifying expenditure incurred)
  - b. Category 2: Industries other than Category 1 including the services sector (on the first RM2 million qualifying expenditure incurred)
- In order to further drive the productivity and improve efficiency through automation, it is proposed that the ACA for automation equipment be enhanced as follows:
  - a. scope of automation to include the adaptation of Industry 4.0 elements;
  - b. scope of tax incentive is expanded to include agriculture sector; and
  - c. capital expenditure threshold for categories 1, 2 and agriculture be aligned and increased up to RM10 million.
- This is applicable for applications received by MIDA and MAFS from 1 January 2023 until 31 December 2027.

## Extension of Tax Incentive for Ship Building and Ship Repairing (SBSR) Industry

- Companies undertaking ship building and ship repairing (SBSR) activities in Malaysia are eligible for tax incentives as follows:
  - i. New company
    - a. Pioneer Status with income tax exemption of 70% of statutory income for a period of 5 years; or
    - b. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years, set-off against 70% of the statutory income for each YA.
  - ii. Existing company
    - Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years, set-off against 70% of the statutory income for each YA.
- In order to position Malaysia as regional hub for SBSR, it is proposed that the tax incentive be extended for 5 years.
- This is for applications received by MIDA from 1 January 2023 to 31 December 2027.





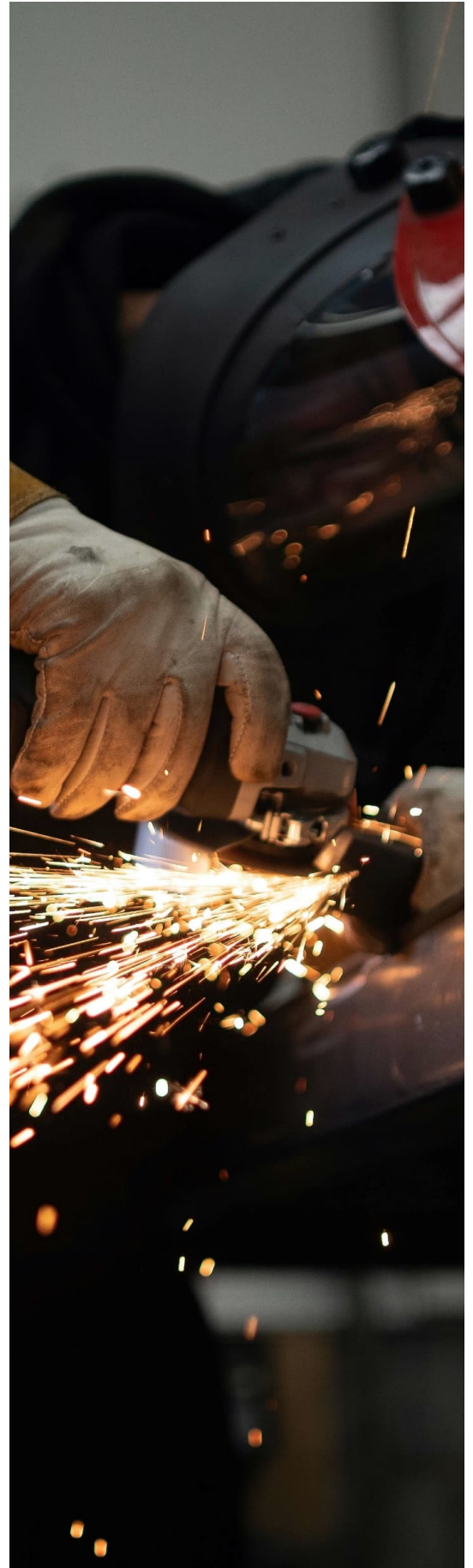
# TAX INCENTIVES

## Extension of Tax Incentive for Aerospace Industry

- New and existing aerospace companies in Malaysia undertaking high-value activities such as manufacturing or assembling of systems, devices, parts or components and maintenance, repair and overhaul for aircraft (MRO), systems, devices, parts or components and engineering & design/services related are given tax incentives as follows:
  - i. New company
    - a. income tax exemption of 70% to 100% for a period between 5 to 10 years; or
    - b. Investment Tax Allowance of 60% to 100% for a period of 5 years, set-off against 70% to 100% of statutory income for each YA.
  - ii. Existing company
    - Investment Tax Allowance of 60% to 100% for a period of 5 years, set-off against 70% to 100% of statutory income for each YA.
- It is proposed that the above tax incentive for aerospace industry be extended for a period of 3 years.
- This is for applications received by MIDA from 1 January 2023 until 31 December 2025.
- The above proposal aims to transform Malaysia into a key player in the aerospace industry in line with the 12<sup>th</sup> Malaysia Plan.

## Extension of Relocation Incentive

- Manufacturing companies that relocate their operations to Malaysia are given the following incentive:
  - i. New company
    - a. 0% special tax rate for 10 years for capital investment between RM300 million to RM500 million ; or
    - b. 0% special tax rate for 15 years for capital investment above RM500 million.
  - ii. Existing company
    - 100% of ITA for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million. The allowance is offset against 100% of statutory income for each assessment year.
- Non-resident individuals holding key positions (C-Suite) in the abovementioned companies are given income tax at a flat rate of 15% for 5 consecutive years.
- It is proposed that the tax incentives above be extended until 2024.
- The above proposal aims to attract investments from companies affected by Covid-19 to operate in Malaysia.



---

# REAL PROPERTY GAINS TAX

## RPGT Exemption for Transfer of Real Property in Consequence of Dissolution or Annulment of Marriage under a Court Order

- Currently, the transfer of real property between spouses is a transaction where disposal price is deemed equal to acquisition price (no gain no loss) and which is not subject to RPGT. However, the transfer of real property between former spouses is currently subject to RPGT at the prevailing rate under Schedule 5 of the Real Property Gains Tax Act 1976 (RPGT Act).
- It is proposed that the transfer of real property between former spouses pursuant to an order of any court in consequence of the dissolution or annulment of their marriage is deemed to be no gain no loss transaction with the disposal price deemed equal to the acquisition price.
- This proposal is with effect from the date which the Finance Act 2023 comes into force.

## RPGT Treatment for Transfer of Real Property to a Controlled Company Not Incorporated in Malaysia

- Currently, the transfer of real property to a controlled company (whether or not the company is resident in Malaysia) under subparagraph 3(1)(b)(ii) of Schedule 2 of the RPGT Act for a consideration consisting substantially of shares (consideration consisting of not less than 75% of shares) in the company and the balance of a money payment will be deemed as transaction where disposal price is deemed equal to acquisition price (no gain no loss) and not subject to RPGT.
- It is proposed that the transfer of real property to a controlled company not incorporated in Malaysia is no longer eligible for the no gain no loss provision under subparagraph 3(1)(b)(ii) of Schedule 2 of the RPGT Act and is subject to RPGT under Schedule 5 of the RPGT Act.
- This proposal is with effect from the date which the Finance Act 2023 comes into force.





# STAMP DUTY

## Stamp Duty Exemption and Remission for Transfer of Property by Way of Love and Affection

- Currently, stamp duty remission of 50% is given on the instrument of transfer of real property executed between parents and children where the recipient is a Malaysian citizen by way of love and affection.
- In order to reduce the cost of stamp duty for the transfer of property by way of love and affection between parents and children, grandparents and grandchildren in which the recipients are Malaysian citizens, it is proposed that stamp duty on the instrument of transfer of property to be fully exempted limited to the first RM1 million of the property's value. The remaining balance of the property's value is subject to ad valorem duty rate but is given 50% remission of the stamp duty imposed.
- The proposal is for instrument of transfer of property executed from 1 April 2023.

## Stamp Duty Remission for Educational Loan or Scholarship Agreement

- Currently, stamp duty of RM10 is charged on educational loan / scholarship agreement to pursue tertiary education level for diploma and above at higher learning institutions while other levels are charged at the ad valorem rate.
- In order to streamline the stamp duty treatment for all levels of education, it is proposed that stamp duty of RM10 be charged on educational loans / scholarship agreements to pursue education at all levels including certificate (education / skills / professionals) in any educational and training institutions.
- The proposal is for educational loan / scholarship agreement executed from 1 June 2023.

## Extension of Stamp Duty Exemption for Instruments Relating to Restructuring or Rescheduling of Loan or Financing Agreements

- 100% stamp duty exemption is currently available on the instrument of loan / financing agreement relating to the restructuring or rescheduling of a loan / financing between a borrower and financial institution executed from 1 January 2022 to 31 December 2022 subject to the following conditions:
  - a. The original instrument has been duly stamped; and
  - b. The instrument of loan / financing agreement relating to the restructuring or rescheduling of a loan or financing does not contain the element of additional value to the original loan / financing agreement.
- In order to reduce the borrowing costs and improve cash flow of borrowers, it is proposed that this exemption be extended for 2 years for loans or financing agreements executed from 1 January 2023 to 31 December 2024.



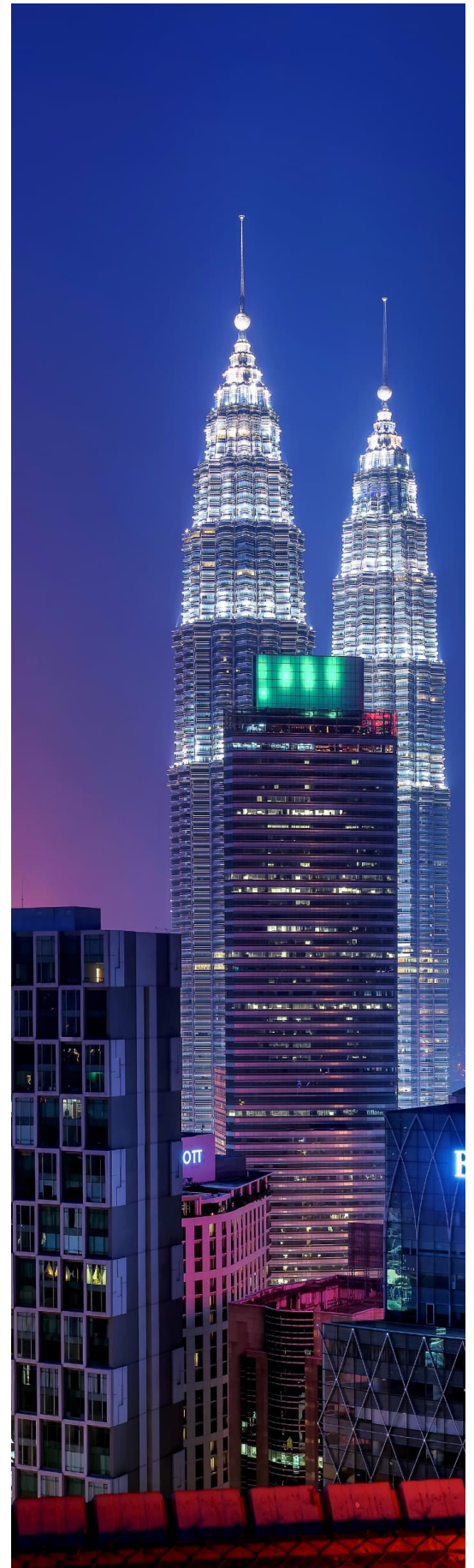
# STAMP DUTY

## Stamp Duty Remission for Instruments under Items 27(d) & 32(c) of the First Schedule of the Stamp Act 1949

- Currently, stamp duty of RM10 is charged on the following charge or sale 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:
  - a. A charge or a mortgage on or an assignment by way of security of accounts receivables; and
  - b. Absolute sale of any accounts receivable or book debts.
- It is proposed that the above scope be expanded to include financing obtained from government bodies / agencies that provide financing to MSMEs.

## Stamp Duty Remission for Instrument of Transfer and Loan Agreement for the Purchase of First Residential Home

- Currently, full stamp duty exemption is given on the instrument of transfer and loan agreement for the purchase of first residential home priced up to RM500,000 by Malaysian citizens for sale and purchase agreements executed from 1 January 2019 to 31 December 2025.
- It is proposed that stamp duty exemption of up to 75% be given for first residential home priced higher than RM500,000 and up to RM1,000,000 for sale and purchase agreements executed.





# INDIRECT TAX

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

- It is proposed that import duties and sales tax exemptions on studio and filming production equipment be granted to providers of studio equipment, production and post-production for a period of 3 years.
- This proposal is to boost the level of creativity of industry players in creating high value creative content in the domestic and international markets and to attract foreign film producers to carry out filming activities in Malaysia.
- This is applicable to applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.

## 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 who have been affected by the Covid-19 pandemic, it is proposed that the excise duty and sales tax exemptions be granted on the sale, transfer, private use or disposal of individually owned taxis and hired cars.
- The exemption shall be based on the following types of licenses and services:
  - a) Taxis (budget taxis, executive taxis, and TEKS1M);
  - b) Airport taxis (budget and family); and
  - c) Hired cars.
- The vehicle age condition is relaxed to at least 5 years from the date of registration.
- This is applicable to applications received by the RMCD from 1 March 2023.



# INDIRECT TAX

## Extension of Tax Incentives to Support the Development of EV Industry

- In Budget 2022, tax exemptions for EV consist of passenger vehicles (including SUV and MPV), commercial vehicles and motorcycles were given in order to support the development of EV industry and encourage domestic demand in line with Low Carbon mobility Blueprint (LCMB), EV Roadmap and National Automotive Policy (NAP) 2020.
- It is proposed that the existing full import duty, excise duty and sales tax exemptions be extended as follows:

No.	Tax Measures	Incentive Period	Incentive Period Extension
1	Full import duty exemption on components for locally assembled EV	01.01.2022 to 31.12.2025	01.01.2026 to 31.12.2027
2	Full excise duty and sales tax exemption on Completely Knocked-Down (CKD) EV		
3	Full import duty and excise duty exemption on imported Completely Built-Up (CBU) EV	01.01.2022 to 31.12.2023	01.01.2024 to 31.12.2025

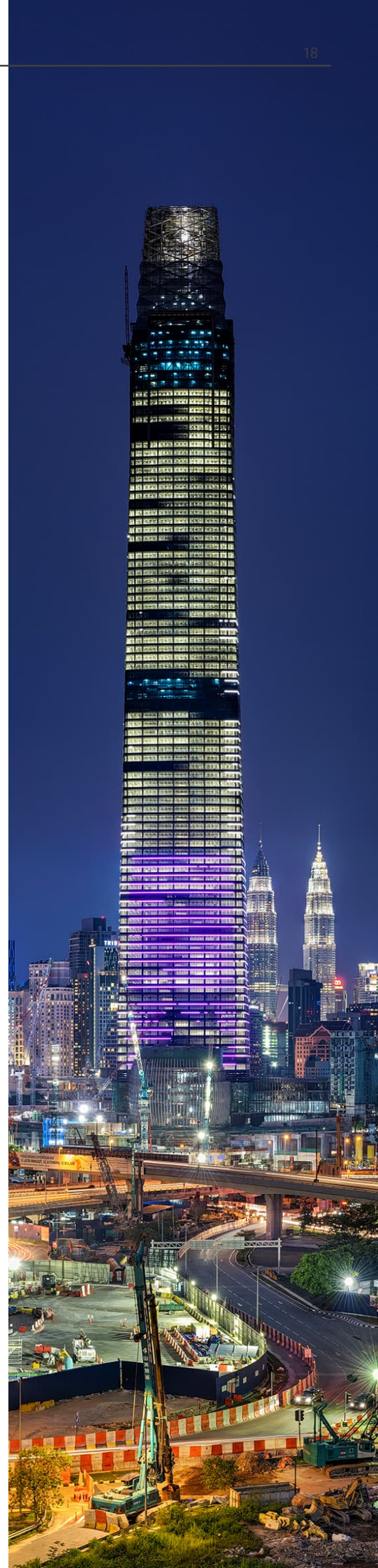
- The above proposal aims to spur domestic demand and encourage the growth of locally assembled EV activity.

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

- Under the mQuit Programme, Nicotine Replacement Therapy (NRT) is used as one of the medical treatment options for smoking cessation.
- Two NRT products in the market which are subject to import duty and sales tax are as follows:

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

- It is proposed that import duty and sales tax exemptions be given to the above NRT products for a period of 3 years.
- This is applicable to applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.
- The above proposal aims to support the mQuit Programme and encourage the use of NRT products as an option for smoking cessation.





---

# OTHERS

## Introduction of Luxury Goods Tax

- Malaysia currently does not have a broad-based consumption tax and it is not the right time to reintroduce Goods and Services Tax (GST). In order to widen the scope of tax to wealthy consumers, the Government is proposing to introduce a tax on certain luxury goods with a certain threshold according to the type of goods including watches and fashion items in the year 2023.

## Review of Capital Gains Tax for Disposal of Unlisted Company Shares

- There is currently no capital gains tax in Malaysia. In line with international best practices, the Government will review the introduction of capital gains tax for the disposal of unlisted shares for companies at a low rate from the year 2024.
- The Government will hold engagement sessions with relevant parties to study the details of this proposal.

## Re-implementation of Voluntary Disclosure Programmes

- It is proposed that the IRB and the RMCD will re-implement voluntary disclosure programmes with penalty waiver of 100% for submissions from 1 June 2023 to 31 May 2024.

## Payment of Taxes by Instalments

- Currently, a taxpayer who has tax payable resulting from an assessment made by the IRB may apply to the IRB to pay the tax payable by instalments.
- It is proposed that the payment of tax payable by instalments be extended to include tax payable based on the tax return or amended tax return submitted by a taxpayer which is deemed as an assessment.
- The proposal is effective from YA 2023.



For further information, we welcome you to speak to any of our tax specialists below:

BEH TOK KOAY  
Senior Advisor  
[tkbeh@bdo.my](mailto:tkbeh@bdo.my)

DAVID LAI  
Executive Director  
[davidlai@bdo.my](mailto:davidlai@bdo.my)

NG SWEE WENG  
Senior Advisor  
[swng@bdo.my](mailto:swng@bdo.my)

CHRISTOPHER LOW  
Executive Director  
[chrislow@bdo.my](mailto:chrislow@bdo.my)

ONG ENG CHOON  
Senior Advisor  
[ongec@bdo.my](mailto:ongec@bdo.my)

WOON YOKE LEE  
Executive Director  
[woonyl@bdo.my](mailto:woonyl@bdo.my)

KOO KIAN MING  
Executive Director  
[kookm@bdo.my](mailto:kookm@bdo.my)

LEE BOON HOOI  
Executive Director  
[leebh@bdo.my](mailto:leebh@bdo.my)

ON BEE YEE  
Executive Director  
[onby@bdo.my](mailto:onby@bdo.my)

SOH PIN TAU  
Executive Director  
[sohpt@bdo.my](mailto:sohpt@bdo.my)

YAP MEI SEI  
Executive Director  
[yapms@bdo.my](mailto:yapms@bdo.my)

TAN CHIN TECK  
Executive Director  
[tanct@bdo.my](mailto:tanct@bdo.my)

YONG MEE THING  
Executive Director  
[yongmt@bdo.my](mailto:yongmt@bdo.my)

YEAP LAY SUAT  
Executive Director  
[yeapls@bdo.my](mailto:yeapls@bdo.my)

CHAN KWAN YEE  
Executive Director  
[chanky@bdo.my](mailto:chanky@bdo.my)

TAN SIN HUAT  
Advisor  
[shtan@bdo.my](mailto:shtan@bdo.my)

## BDO TAX SERVICES SDN BHD (114863-K)

Level 8, BDO @ Menara CenTARA, 360 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia  
T: +603 2616 2888 F: +603 2616 2970 E: [marcomms@bdo.my](mailto:marcomms@bdo.my)

[www.bdo.my](http://www.bdo.my)

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Tax Services Sdn Bhd to discuss these matters in the context of your particular circumstances. BDO Tax Services Sdn Bhd, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Tax Services Sdn Bhd or any of its partners, employees or agents.

BDO Tax Services Sdn Bhd (198401002347 (114863-K)), a Malaysian Limited Liability Company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Copyright © February 2023 BDO Malaysia. All rights reserved. Published in Malaysia.