


# Retabled Budget 2023

This updated Budget Adviser includes key tax proposals from the Finance Bill, in addition to the highlights of the various tax measures that were announced in the Retabled Budget 2023.

**21 March 2023**







The Retabled Budget 2023 was revealed by our new Prime Minister and Finance Minister, Datuk Seri Anwar Ibrahim on 24 February 2023. Themed ‘Developing Malaysia Madani’, the much-anticipated Budget 2023 involves an allocation of RM388.1 billion.

The budget focuses on 12 main efforts that aims to address pressing issues of the country such as overcoming economic challenges, driving the country’s growth and attracting investments, while not forgetting the wellbeing of the society.

This Budget Adviser outlines numerous updates on the various existing tax measures, as well as other new tax proposals.

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# Individual Tax

## 1. REVIEW OF INDIVIDUAL INCOME TAX RATE

To deal with the high cost of living and to increase the disposable income of individual taxpayers, it is proposed that the income tax rate for resident individuals be reduced by 2% for chargeable income bands of RM35,001 to RM50,000, RM50,001 to RM70,000 and RM70,001 to RM100,000.

For a more progressive tax structure, it is proposed that the income tax rate for resident individuals at chargeable income band of:

- i) RM100,001 to RM250,000 be increased by 1%;
- ii) RM250,001 to RM400,000 be increased by 0.5%;
- iii) RM400,001 to RM600,000 be increased by 1%; and
- iv) RM600,001 to RM1,000,000 be increased by 2%.

The above and the tax savings or additional tax arising from the changes are summarised below:

Chargeable Income (RM)		Current		Proposal		(Tax Savings) / Additional tax
		Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)
0 - 5,000	First 2,500	0	0	0	0	0
	Next 2,500	0	0	0	0	0
5,001 - 20,000	On 5,000	0	0	0	0	0
	Next 15,000	1	150	1	150	0
20,001 - 35,000	On 20,000	0	150	0	150	0
	Next 15,000	3	450	3	450	0
35,001 - 50,000	On 35,000	8	600	6	600	0
	Next 15,000		1,200		900	(300)
50,001 - 70,000	On 50,000	13	1,800	11	1,500	(300)
	Next 20,000		2,600		2,200	(400)
70,001 - 100,000	On 70,000	21	4,400	19	3,700	(700)
	Next 30,000		6,300		5,700	(600)
100,001 - 250,000	On 100,000	24	10,700	25	9,400	(1,300)
	Next 150,000		36,000		37,500	1,500
250,001 - 400,000	On 250,000	24.5	46,700	25	46,900	200
	Next 150,000		36,750		37,500	750
400,001 - 600,000	On 400,000	25	83,450	26	84,400	950
	Next 200,000		50,000		52,000	2,000
600,001 - 1,000,000	On 600,000	26	133,450	28	136,400	2,950
	Next 400,000		104,000		112,000	8,000
1,000,001 - 2,000,000	On 1,000,000	28	237,450	28	248,400	10,950
	Next 1,000,000		280,000		280,000	0
2,000,001 and above	Exceeding 2,000,000	30	517,450	30	528,400	10,950

Effective date : From year of assessment 2023



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# Individual Tax

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## 2. TAX DEDUCTION FOR CONTRIBUTION TO NON-PROFIT ORGANISATIONS CONDUCTING SPORTS DEVELOPMENT PROGRAMMES

To develop a comprehensive sports ecosystem from talent search to podium competitions including maintaining and upgrading sports facilities throughout the country, it is proposed that a tax deduction of up to 10% of aggregate income be given to individuals that contribute to non-profit organisations conducting sports development programmes at grassroots level.

**Effective date :** Further clarifications required on the conditions for the tax deduction



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# Individual Tax

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### 3. REVISION OF TAX ESTIMATE BY INDIVIDUALS (CP500)

Currently, an individual carrying on business (other than company, limited liability partnership, trust body or co-operative society) is allowed to revised his/her tax estimate not later than 30 June for that relevant year of assessment.

It is proposed that a second revision of tax estimate be allowed not later than 31 October for the relevant year of assessment.

**Effective date :** From year of assessment 2023



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# Corporate Tax

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## 1. TAX DEDUCTION FOR CONTRIBUTION TO NON-PROFIT ORGANISATIONS CONDUCTING SPORTS DEVELOPMENT PROGRAMMES

To develop a comprehensive sports ecosystem from talent search to podium competitions including maintaining and upgrading sports facilities throughout the country, it is proposed that a tax deduction of up to 10% of aggregate income be given to companies that contribute to non-profit organisations conducting sports development programmes at grassroots level.

**Effective date :** Further clarifications required on the conditions for the tax deduction

## 2. REVIEW OF INCOME TAX RATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

Currently, a company or Limited Liability Partnership (LLP) with paid-up capital or capital contribution not exceeding RM2.5 million and gross business income of not more than RM50 million in a year of assessment is categorized as Micro, Small and Medium Enterprises (MSME). A MSME's chargeable income is taxed at a rate of 17% for the first RM600,000 and the remaining chargeable income is taxed at a rate of 24%.

To increase the competitiveness of MSME and promote economic growth, it is proposed that the tax rate for the first RM150,000 chargeable income be reduced by 2% (from 17% to 15%), and the tax rates for the remaining chargeable income be maintained at 17% and 24% as follows:

Chargeable Income	Tax Rate
First RM150,000	15%
RM150,001 to RM600,000	17%
RM600,001 and above	24%

**Effective date :** From year of assessment 2023

However, the definition of MSME will be changed from the year of assessment 2024. A company or LLP with more than 20% of its paid-up capital or capital contribution directly or indirectly owned by a company incorporated outside Malaysia or individual not citizen of Malaysia at the beginning of the basis period will not be categorized as MSME and will no longer enjoy the above preferential tax rates.

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# Corporate Tax

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### 3. REVIEW OF TAX DEDUCTION ON COST OF LISTING IN BURSA MALAYSIA

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

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

To further encourage more technology-based companies and Micro, Small and Medium Enterprises to expand their businesses by increasing their capital funds through listing in Bursa Malaysia, it is proposed that:

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

**Effective date :** From year of assessment 2023 to year of assessment 2025

### 4. TAX DEDUCTION FOR EXPENDITURE ON MALAYSIAN-MADE HANDICRAFT

Currently, the hotel industry is known to assist in promoting the use of local handicraft products such as songket decorations, ceramic and wood-based products in hotel premises.

Existing tax treatments for the hotel industry are as follows:

- Initial purchase of qualifying assets are given capital allowance under Schedule 3 of the Income Tax Act 1967 (ITA)
- Subsequent purchase of assets of less than RM2,000 for replacement purpose are given tax deduction under Section 33 of the ITA.

In line with the Visit Malaysia Year in 2025 and to encourage hoteliers to use Malaysian-made handicraft products to support the recovery of the local handicraft industry, it is proposed that a tax deduction of up to RM150,000 be given on qualified Malaysian-made handicraft purchased from local handicraft entrepreneurs registered with the Malaysian Handicraft Development Corporation.

This deduction does not apply to an expenditure where a claim has been made under Section 33 or Schedule 3 of the ITA.

**Effective date :** For qualifying handicraft products expenditure incurred from 1 January 2023 to 31 December 2025



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# Corporate Tax

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

Currently, tax deduction under Section 34(6)(h) of the Income Tax Act 1967 (ITA) can be given to any relevant person who carries out community projects that provide significant benefits to the public in Malaysia related to the fields of education, health, housing, infrastructure, 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.

To encourage behavioural change towards recycling through education and to prevent plastic and aluminum containers pollutions, AI technology has been adapted for plastic waste collection in local communities.

To support the recycling of plastic waste ecosystem and to ensure the collected-for-recycling rate be increased through effective and organised plastic waste collection programme, it is proposed that tax deduction under Section 34(6)(h) of the ITA be given to companies and other than companies (individuals, partnerships, trusts and cooperatives with business income) that make donations or sponsorships of AI - Driven Reverse Vending Machine.

**Effective date :** Contribution/sponsorship and application received by the Ministry of Finance from 1 January 2023 to 31 December 2024

## 6. TAX DEDUCTION ON ISSUANCE COST OF SUSTAINABLE AND RESPONSIBLE INVESTMENT LINKED SUKUK

The Securities Commission of Malaysia 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 with more opportunities for transition to net zero carbon targets and further meet the Government's desire to achieve net zero carbon emissions target by 2050.

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

**Effective date :** From year of assessment 2023 to year of assessment 2027

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# Corporate Tax

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## 7. TAX DEDUCTION FOR CONTRIBUTIONS MADE TO FINAS

To support the arts and culture industry, it is proposed that a tax deduction up to 10% of aggregate income be given to donor for contributions made to the Tabung Komuniti Filem dan Pembangunan Filem Kenegaraan under the National Film Development Corporation Malaysia (FINAS). The total contribution is limited up to RM10 million.

**Effective date :** From 1 January 2023

## 8. TAX DEDUCTION FOR EMPLOYMENT OF FORMER NATIONAL ATHLETES

To maintain and safeguard the welfare of former national athletes, it is proposed that a tax deduction be given to employers for the employment of these athletes.

**Effective date :** Further clarifications required on the conditions for the tax deduction

## 9. TAX DEDUCTION FOR COMPANY RENTING NON-COMMERCIAL ELECTRIC VEHICLE (EV)

Currently, a company that rents non-commercial motor vehicles, including EV, is given tax deduction under Section 39(1)(k) of the Income Tax Act 1967 as follows:

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

To encourage the use of low-carbon vehicles, it is proposed that a company that rents non-commercial EV be given tax deduction on the rental amount up to RM300,000.

**Effective date :** From year of assessment 2023 to year of assessment 2025

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# Corporate Tax

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## 10. DOUBLE DEDUCTION FOR CHILD CARE

In line with the Government's desire to encourage more employers to provide child care centre for their employees, double deduction were given to employers with effect from year of assessment 2013. The double deduction were given to employers in relation to the following expenses:

- i. provision and maintenance of child care centres; and
- ii. child care allowances paid to the employees.

The government will examine the needs to make the provision of such facilities mandatory in the event that the response from employers are not encouraging.

## 11. DEFINITION OF "PLANT" FOR CAPITAL ALLOWANCE CLAIM UNDER SCHEDULE 3 OF THE INCOME TAX ACT (ITA) 1967

Currently, Paragraph 70A, Schedule 3 of the ITA defines "plant" as an apparatus used by a person for carrying on his business but does not include a building, any asset used and functions as a place within which a business is carried on and intangible asset.

It is proposed that instead of "intangible asset", only assets to be specified by the Minister of Finance be excluded from the definition of "plant".

**Effective date :** From year of assessment 2023

## 12. WITHHOLDING TAX ON PAYMENT MADE TO AGENTS, DEALERS OR DISTRIBUTORS

Currently, withholding tax of 2% shall be remitted by the payer to the IRBM within 30 days after paying or crediting such payments to the agents, dealers or distributors.

It is proposed that the withholding tax of 2% be remitted by the payer to the IRBM not later than the last day of the following month after paying or crediting the agents, dealers or distributors.

**Effective date :** From 1 January 2023

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# Real Property Gains Tax

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## 1. REAL PROPERTY GAINS TAX (RPGT) EXEMPTION FOR TRANSFER OF ASSETS BETWEEN FORMER SPOUSES

Currently, transfer of assets between former spouses pursuant to a court order in consequence of their marriage dissolution or annulment is subject to RPGT at the following rates under Part I of Schedule 5 of the Real Property Gains Tax Act 1976:

Date of disposal	RPGT rates
Within 3 years after the date of acquisition	30%
In the 4 <sup>th</sup> year	20%
In the 5 <sup>th</sup> year	15%
In the 6 <sup>th</sup> year and subsequent years	0%

It is proposed that the above-mentioned transfer of assets between former spouses to be a transaction with disposal price deemed equal to the acquisition price of the chargeable asset (no gain no loss transaction).

**Effective date** : Upon coming into operation of the Finance Act



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# Real Property Gains Tax

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## 2. REVIEW OF REAL PROPERTY GAINS TAX (RPGT) FOR THE TRANSFER OF ASSETS TO A CONTROLLED COMPANY

Currently, any transfer of assets owned by the following persons to a company (incorporated in and outside Malaysia) controlled by the following persons, for a consideration consisting of shares in the company or for a consideration consisting substantially of shares in the company and the balance of a money payment, is deemed to have a disposal price that is equal to the acquisition price (no gain no loss transaction):

- An individual;
- His wife;
- An individual jointly with his wife or with a connected person;
- The nominee for the individual, the nominee for the individual's wife or the nominee for both; or
- The trustee for the individual, the trustee for the individual's wife of or the trustee for both.

It is proposed that the above no gain no loss transaction be restricted to transfer of assets to a company incorporated in Malaysia controlled by the relevant persons.

**Effective date** : Upon coming into operation of the Finance Act



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# Tax Incentive

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## 1. TAX INCENTIVE FOR MANUFACTURERS OF ELECTRIC VEHICLE (EV) CHARGING EQUIPMENT

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

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

- i. 100% tax exemption on statutory income from the year of assessment 2023 to the year of assessment 2032. Companies that make early investments are eligible to enjoy the tax exemption for a period up to 10 years. However, companies that make investments after the year of assessment 2023 are eligible to enjoy the incentive for the remaining exemption period only; or
- ii. Investment Tax Allowance of 100% for a period of 5 years and set-off against 100% of the statutory income for each year of assessment.

**Effective date :** Application received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 to 31 December 2025



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# Tax Incentive

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## 2. TAX INCENTIVES FOR CARBON CAPTURE AND STORAGE

The Government has identified an initiative to control the emission of carbon dioxide (CO<sub>2</sub>) using Carbon Capture and Storage (CCS) technology. The oil and gas and power generation industries are identified as pioneer industries which use CCS technology in Malaysia. This technology comprises of 3 activities as follows:

- i. carbon capture;
- ii. transportation of captured CO<sub>2</sub>; and
- iii. underground or sea bed carbon storage.

To recognise CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emission, it is proposed that tax incentives be given as follows:

- i. companies undertaking CCS in-house activity
  - a. Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years and set-off against 100% of business statutory income; and
  - b. tax deduction for allowable pre-commencement expenses within 5 years prior to the date of commencement of operation.
- ii. companies undertaking CCS services
  - a. ITA of 100% of qualifying capital expenditure for a period of 10 years and set-off against 100% of business statutory income; or
  - b. tax exemption of 70% on statutory income for a period of 10 years.
- iii. companies using CCS services be given tax deduction on fees incurred for use of CCS services.

### Effective date :

- i. Application received by the Ministry of Finance from 25 February 2023 to 31 December 2027
- ii. Tax deduction can be claimed from the year of assessment 2023 to the year of assessment 2027

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# Tax Incentive

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## 3. TAX INCENTIVE FOR CHICKEN REARING IN CLOSED HOUSE SYSTEM

In Budget 2003, Reinvestment Allowance (RA) for a period of 15 consecutive years was given to chicken and duck rearers who transform from opened house system to closed house system. This incentive was expanded to cover expansion projects from year of assessment 2009. This RA was given until year of assessment 2010.

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

- 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.

Tax incentives are given on the qualifying capital expenditure incurred from year of assessment 2023 until year of assessment 2025. Thus, qualifying capital expenditure that can be claimed amounting to 200% within a year.

**Effective date :** From year of assessment 2023 to year of assessment 2025

## 4. TAX INCENTIVES FOR SHIP BUILDING AND SHIP REPAIRING INDUSTRY

Currently, 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 (ITA) of 60% on qualifying capital expenditure incurred within 5 years and set-off against 70% of the statutory income for each year of assessment.
- ii. existing company  
ITA of 60% on qualifying capital expenditure incurred within 5 years and set-off against 70% of the statutory income for each year of assessment.

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

To position Malaysia as a regional hub for SBSR, it is proposed the tax incentive be extended for a period of 5 years.

**Effective date :** SBSR application received by MIDA from 1 January 2023 to 31 December 2027



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# Tax Incentive

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## 5. REVIEW OF AUTOMATION CAPITAL ALLOWANCE

Currently, manufacturing and services companies that incur qualifying capital expenditure on automation equipment are given tax incentives as follows:

- i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products)  
Automation Capital Allowance (AutoCA) of 200% for automation equipment on the first RM4 million qualifying capital expenditure incurred.
- ii. Category 2: Industries other than Category 1 including the services sector  
AutoCA of 200% for automation equipment on the first RM2 million qualifying capital expenditure incurred.

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

To further drive the productivity and improve efficiency through automation, it is proposed that the AutoCA for automation equipment be enhanced as follows:

- i. scope of automation to include the adaptation of Industry 4.0 elements;
- ii. scope of tax incentive is expanded to include agriculture sector; and
- iii. capital expenditure threshold for categories 1, 2 and agriculture be aligned and increased up to RM10 million.

**Effective date :** Application received by MIDA and Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2027

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# Tax Incentive

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## 6. TAX INCENTIVES FOR AEROSPACE INDUSTRY

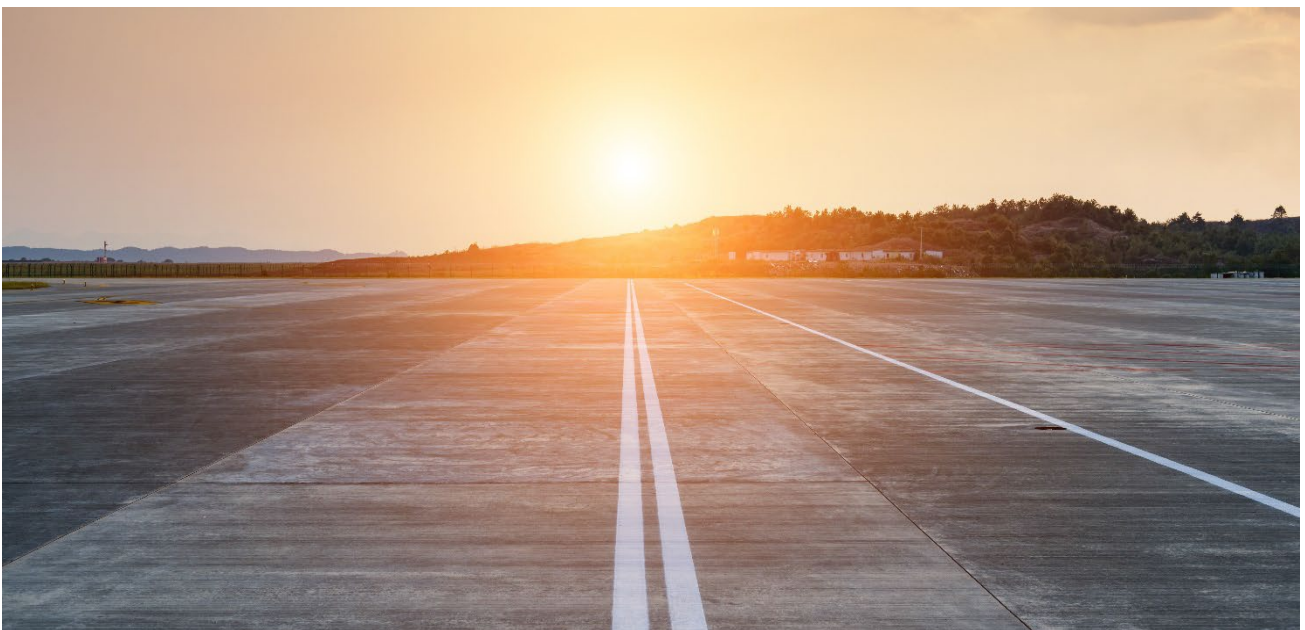
Currently, the new and existing aerospace companies in Malaysia undertaking high-value activities such as manufacturing or assemble of systems, devices, parts or components and maintenance, repair and overhaul for aircraft (MRO), systems, devices, parts or components and engineering & design/services related are given tax incentives as follows:

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

The applications have to be received by the Malaysian Investment Development Authority (MIDA) by 31 December 2022.

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

**Effective date :** Application received by MIDA from 1 January 2023 to 31 December 2025



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# Indirect Tax

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## 1. IMPORT DUTY AND SALES TAX EXEMPTION ON STUDIO AND FILMING PRODUCTION EQUIPMENT

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

To boost the level of creativity of the industry players to produce high value creative content for the domestic and international markets as well as to attract foreign film producers to carry out filming activities in Malaysia, it is proposed that full 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 date :** Application received by the Ministry of Finance from 1 April 2023 to 31 March 2026

## 2. VOLUNTARY DISCLOSURE PROGRAMME

In year 2022, the Royal Malaysian Customs Department (RMCD) implemented a Voluntary Disclosure and Amnesty Programme (VA Programme) for 9 months from 1 January 2022 to 30 September 2022. The VA Programme was introduced to provide an opportunity for any companies/individuals to make a voluntary disclosure, in good faith for any duty/tax/levy/penalty/surcharge liabilities that remain outstanding on or before 31 October 2021 for all Acts administered by the RMCD e.g. Customs Act 1967, Goods and Services Tax Act 2014, Sales Tax Act 2018, Service Tax Act 2018. The VA Programme offered various remissions of tax and penalty.

It is proposed that a voluntary disclosure programme be re-introduced by the RMCD. Under this programme, a penalty remission of 100% will be granted for voluntary disclosure from 1 June 2023 to 31 May 2024.

Further details are expected to be released in due course.

**Effective date :** From 1 June 2023 to 31 May 2024

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# Indirect Tax

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### 3. IMPORT DUTY AND SALES TAX EXEMPTION ON EQUIPMENT FOR CARBON CAPTURE AND STORAGE (CCS) TECHNOLOGY

CCS technology comprises of 3 activities as follows:

- i. carbon capture;
- ii. transportation of captured CO<sub>2</sub>; and
- iii. underground or sea bed carbon storage.

To recognize CCS activities as a new source of economic growth and in achieving net zero greenhouse gas emission, it is proposed that full import duty and sales tax exemption be given on equipment used for CCS technology commencing from 1 January 2023 to 31 December 2027 for companies undertaking either CCS in-house activity or CCS services.

**Effective date :** Application received by the Ministry of Finance from 25 February 2023 to 31 December 2027

### 4. IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY (NRT)

Currently, there are two NRT products in the market that are subject to import duty and sales tax as follows:

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

To support the mQuit Programme and encourage the use of NRT as an option to quit smoking, it is proposed that import duty and sales tax exemption be given on the above NRT products for a period of 3 years.

**Effective date :** Application received by the Ministry of Finance from 1 April 2023 to 31 March 2026



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# Stamp Duty

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## 1. STAMP DUTY FOR TRANSFER OF PROPERTY BY WAY OF LOVE AND AFFECTION

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

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

A remission of 50% stamp duty is given on the instrument of transfer of property executed between parents and children, and the recipient is a Malaysian citizen.

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, it is proposed that stamp duty on the instruments of transfer of property 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 and 50% remission is given on the stamp duty imposed. This stamp duty treatment applies to recipients who are Malaysian citizens.

**Effective date :** Instrument of transfer of property executed from 1 April 2023

## 2. STAMP DUTY FOR EDUCATIONAL LOAN/SCHOLARSHIP AGREEMENT

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

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

**Effective date :** Educational loan/scholarship agreement executed from 1 June 2023

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# Stamp Duty

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### 3. STAMP ASSESSMENT AND PAYMENT SYSTEM (STAMPS)

Currently, STAMPS has replaced Digital Franking System 2.0. However, Revenue Stamps may still be used on any instruments without any restrictions and payment can be made via cheque.

It is proposed that stamp duty assessment and payment be made via online by using STAMPS. The usage of Revenue Stamp and payment by cheque will cease.

**Effective date :** From 1 January 2024

### 4. EXTENSION OF SCOPE FOR STAMP DUTY OF RM10

Currently, stamp duty of RM10 (fixed duty) is chargeable on instruments of loan and factoring agreements with financial institutions licensed under the Financial Services Act 2013 or Islamic Financial Services Act 2013.

It is proposed that the instruments chargeable with stamp duty of RM10 (fixed duty) be expanded to include instruments of loan and factoring agreements with any statutory body, agencies of the government or of the state government, or any company in which the government or state government has interest, that provide financial assistance to Small & Medium Enterprise (SME).

**Effective date :** Upon coming into operation of the Finance Act

### 5. STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL PROPERTY

Currently, 100% stamp duty exemption is given for purchase of first residential property priced RM500,000 and below, and 50% stamp duty exemption for residential property priced above RM500,000 to RM1 million on the instrument of transfer and loan agreement.

It is proposed that the 50% stamp duty exemption given on the instrument of transfer and loan agreement for first residential property priced above RM500,000 to RM1 million be increased to 75%.

**Effective date :** Further details are expected to be released in due course

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# Others

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## 1. NEW INDUSTRIAL MASTER PLAN (NIMP) 2030

The NIMP 2030 is expected to be announced by the Ministry of International Trade and Industry (MITI) in the 3<sup>rd</sup> quarter of 2023 with the aim to propel industrial development focusing on high value activities and development of local talent.

In this connection, investment agencies and investment incentives will be restructured to a tiered rate incentive which is outcome based, e.g. creation of high value jobs, building supply chain with local firms and creating new industrial cluster.

In addition, the monitoring of investments that were granted incentives will be enhanced to ensure that the anticipated benefits will be fully enjoyed by the country and rakyat.



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# Others

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## 2. LUXURY TAX ON BRANDED GOODS

It is proposed that luxury tax for items such as luxury branded watches and fashion goods (with a minimum value depending on the item) be introduced from year 2023.

Further details are expected to be released in due course.

## 3. CAPITAL GAINS TAX ON UNQUOTED SHARES

In line with international best practices, the Government will consider the introduction of capital gains tax at a low rate for the disposal of unquoted shares by companies from year 2024. The Government will be holding engagement sessions with relevant stakeholders on this proposal. Currently, Malaysia impose real property gain tax from disposal of shares in real property companies.

## 4. ATTRACTING HIGH-VALUE INVESTMENTS

In order to attract high-value investments in the technology sector, the Invest Malaysia Council and National Committee on Investment (NCI) will lead the efforts to expedite the approval of investment projects with high potential. The Special Task Force To Facilitate Business (PEMUDAH) will be enhanced to be the facilitator to cultivate conducive investment and business environment.

The Government will also improve on the procedures for doing business by reducing bureaucracy, including providing incentives to local authorities that have simplified procedures for the implementation of approved investments to ensure investment efforts can be accelerated.

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# Others

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## 5. SPECIAL VOLUNTARY DISCLOSURE PROGRAM (SVDP) 2.0

The Inland Revenue Board of Malaysia (IRB) had previously introduced SVDP from 3 November 2018 until 30 September 2019. Under this program, taxpayers were offered penalty remissions in relation to:

- i. income not previously declared/under declared, expenses over claimed/not allowed and reliefs/deductions/rebates over claimed;
- ii. gains on disposal of assets (real properties and shares in real property companies);
- iii. stamping of instruments not previously stamped; and
- iv. transfer pricing issues.

It is proposed that this program be re-introduced with a 100% penalty remission on unpaid taxes. Further details are expected to be released in a guideline and Frequently Asked Questions (FAQ).

**Effective date :** From 1 June 2023 to 31 May 2024

## 6. CHARITABLE HOSPITAL REGISTERED AS COMPANY LIMITED BY GUARANTEE

It is proposed that the tax incentive for charitable hospitals registered as company limited by guarantee be given as follows:

- i. Subsection 44(6) of the Income Tax Act 1967
  - a. Income tax exemption up to contributions received under Subsection 44(6) of Income Tax Act 1967; and
  - b. Tax deduction of up to 10% of aggregate income be given to the donor for donations in cash made to charitable hospitals; or
- ii. Subsection 127(3A) of the Income Tax Act 1967

Income tax exemption equivalent to the amount of expenses incurred for charitable purposes by charitable hospitals for 5 years of assessment.

**Effective date :** Further details are expected to be released in due course.

# Others

## 7. MANDATORY E-FILING

To improve efficiency in tax administration, it is proposed that mandatory e-filing in furnishing tax returns as follows:

Prescribed Form	Entity	Currently	Proposed
Income Tax Return Form (ITRF)	Individual and company (including Limited Liability Partnership)	Via e-filing	Via e-filing
	<ul style="list-style-type: none"> <li>Trust Body</li> <li>Co-operative Society</li> </ul>	Via manual filing	
Amended Return Form (ARF)	<ul style="list-style-type: none"> <li>Individual</li> <li>Company (including Limited Liability Partnership)</li> <li>Trust Body</li> <li>Co-operative Society</li> </ul>	Via manual filing	Via e-filing
Employer Form (Form E)	Companies	Via e-filing	Via e-filing
	<ul style="list-style-type: none"> <li>Limited Liability Partnership</li> <li>Trust Body</li> <li>Co-operative Society</li> </ul>	Not applicable	

**Effective date :** From year of assessment 2024

## 8. TAX INSTALMENT ON DEEMED ASSESSMENT

Currently, the DGIR has the power to allow any assessment/additional assessment raised under subsection 90(3), 91, 92, 96A or revision under subsection 101(2) to be paid by instalment.

It is proposed that balance of tax payable on deemed assessment be paid by instalment through application to the IRB.

**Effective date :** From year of assessment 2023



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# Others

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## 9. E-INVOICING

To improve efficiency in tax administration, it is proposed that e-invoicing be implemented by businesses in phases as follows:

Effective date	Description
Year 2023	Infrastructure development and pilot project on selected companies
June 2024	Mandatory implementation of e-invoicing for businesses with annual sales of more than RM100 million
January 2025	Mandatory implementation of e-invoicing for businesses with annual sales of more than RM50 million
January 2026	Mandatory implementation of e-invoicing for businesses with annual sales of more than RM25 million
January 2027	Mandatory implementation of e-invoicing for all businesses

It is also proposed that all businesses (other than those under mandatory) be allowed to implement e-invoicing voluntarily from January 2024.

## 10. TAX IDENTIFICATION NUMBER (TIN)

An individual (Malaysia citizen and resident) aged 18 years old and above will be allocated a tax identification number (TIN) automatically.

The TIN to be made compulsory for stamping of the documents and instrument of transfer of property, shares and business. The TIN will also be used in financial and banking transactions and business invoice.

**Effective date :** From Year 2023

# Summary of Extension of Time and Expansion of Scope

## INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
1. Tax relief for takaful contribution and life insurance payments (maximum RM3,000)	Not applicable	<ul style="list-style-type: none"> <li>To include voluntary contributions made to the Employees Provident Fund (EPF)</li> </ul> <p><b>Effective date :</b> From YA 2023</p>
2. Tax relief for child care centres or kindergarten expenses (maximum RM3,000)	1 year (up to YA 2024)	Not applicable
3. Tax relief for medical expenses for taxpayer, spouse and children on serious diseases, fertility treatment, medical examination (maximum RM1,000) and vaccination (maximum RM1,000) [total maximum RM8,000]	Not applicable	<ul style="list-style-type: none"> <li>To increase from RM8,000 (max) to RM10,000 (max)</li> <li>To include the following intervention expenditure for Autism Spectrum Disorder (ASD), Attention Deficit Hyperactivity Disorder (ADHD), Global Developmental Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities [RM4,000 (max)]:               <ol style="list-style-type: none"> <li>diagnostic assessment certified by a medical practitioner registered with the Malaysian Medical Council (MMC) [evidenced by receipts]</li> <li>early intervention and rehabilitation programmes conducted by health profession practitioners registered under the Allied Health Professions Act 2016 [evidenced by receipts]</li> </ol> </li> <li>Restricted to assessment &amp; intervention expenditure incurred for children aged 18 years and below</li> </ul> <p><b>Effective date :</b> From YA 2023</p>

# Summary of Extension of Time and Expansion of Scope

## INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
<p>4. Flat income tax rate of 15% for non-citizen individuals who are resident in Malaysia and holding C-suite position or key position in companies that relocate their overseas manufacturing facilities into Malaysia or investing in new strategic investments.</p> <ul style="list-style-type: none"> <li>Application received by MIDA by 31 December 2022</li> </ul>	2 years	<ul style="list-style-type: none"> <li>Only for individuals working with companies in the Electrical &amp; Electronic (E&amp;E) sector which relocate their manufacturing facilities into Malaysia.</li> </ul> <p><b>Effective date :</b> Application received by MIDA from 1 January 2023 until 31 December 2024</p>
<p>5. Tax relief on net savings in the Skim Simpanan Pendidikan Nasional (SSPN) (maximum RM8,000)</p> <ul style="list-style-type: none"> <li>Up to YA 2022</li> </ul>	YA 2023 to YA 2024 (Announced by the Finance Minister on 29 March 2023)	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>



# Summary of Extension of Time and Expansion of Scope

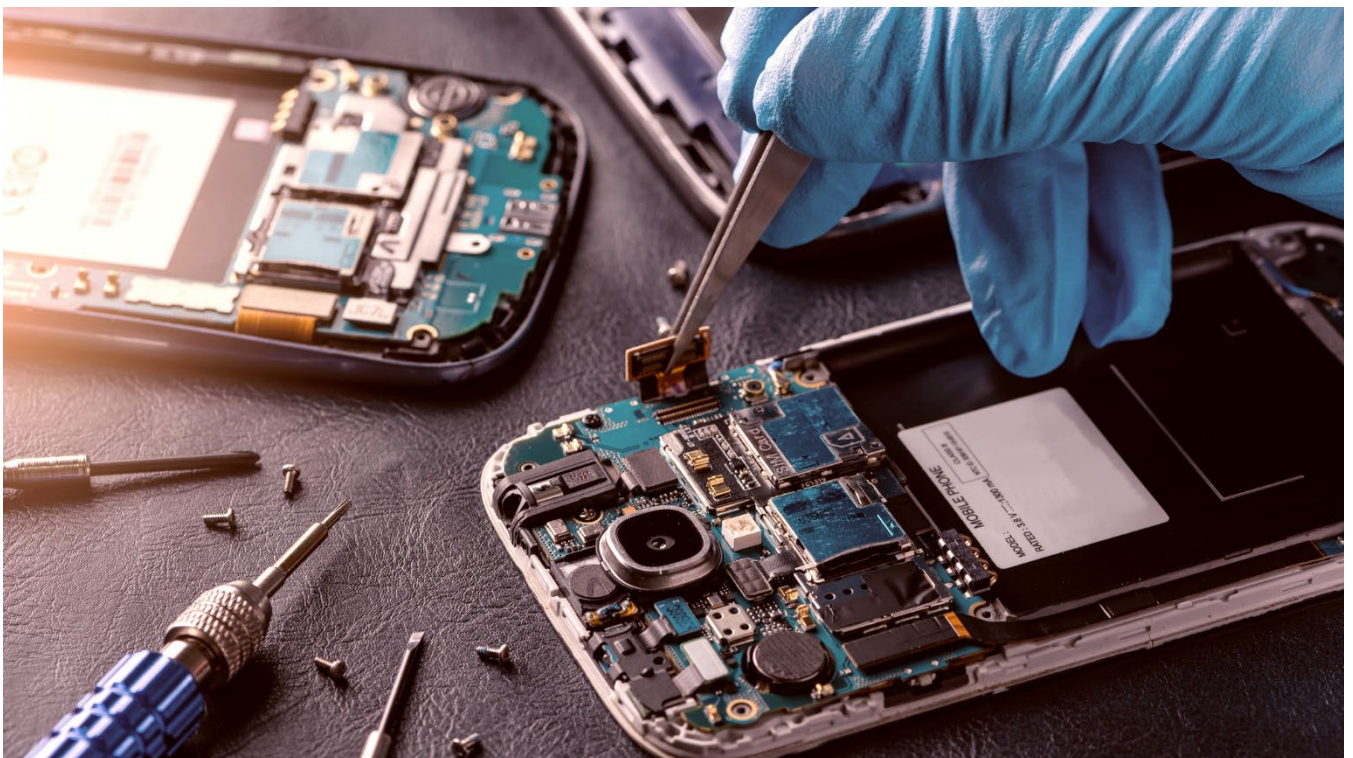
## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
1. Tax incentives for food production project	3 years	To include agriculture based projects on Controlled Environment Agriculture (CEA)  <b>Effective date :</b> Application received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2025
2. Double deduction for employers on remuneration paid to senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents	Not applicable	<ul style="list-style-type: none"> <li>To include remuneration paid to inmates and ex-inmates of:               <ol style="list-style-type: none"> <li>Henry Gurney School under the Malaysian Prison Department;</li> <li>protection and rehabilitation institutions and non-government care centres registered under the Social Welfare Department</li> </ol> </li> </ul> <b>Effective date :</b> From YA 2023 to YA 2025
3. Review and extension of tax incentives for BioNexus status company	2 years	<p><b><u>New company</u></b> Income tax exemption of 100% on statutory income of BioNexus status company for a period of 10 years of assessment</p> <p><b><u>Existing company</u></b> Income tax exemption of 100% on statutory income of BioNexus status company for a period of 5 years of assessment</p> <p><b>Effective date :</b> Application received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024</p>

# Summary of Extension of Time and Expansion of Scope

## CORPORATE TAX

Description	Extension of Time	Expansion of Scope
<p>1. For companies relocating their overseas operations into Malaysia, the following tax incentives are provided:</p> <ul style="list-style-type: none"><li>▪ New companies: Special tax rate of 0% - for 10 or 15 years</li><li>▪ Existing companies: Investment Tax Allowance (ITA) of up to 100% - for 5 years</li><li>▪ Application received by MIDA by 31 December 2022</li></ul>	2 years	<ul style="list-style-type: none"><li>• Only for companies in the Electrical &amp; Electronic (E&amp;E) sector which relocate their manufacturing facilities into Malaysia.</li></ul> <p><b>Effective date :</b> Application received by MIDA from 1 January 2023 until 31 December 2024</p>



# Summary of Extension of Time and Expansion of Scope

## CORPORATE TAX

Description	Extension of Time	Expansion of Scope
<p>2. A person who has furnished his tax return with or without chargeable income for that year of assessment can apply to the Director General for relief in respect of ‘non-error and mistake’ if the chargeable income is inaccurately computed due to the following reasons:</p> <ul style="list-style-type: none"> <li>(i) Changes to the ITA or other written laws for the exemption, relief, remission, allowance or deduction after the tax return has been furnished; or</li> <li>(ii) Approval for the exemption, relief, remission, allowance or deduction is granted after the tax return has been furnished; or</li> <li>(iii) Deduction not allowed in respect of payment not due to be paid under subsection 107A(2) or 109(2), section 109A, or subsection 109B(2) or 109F(2) on the day the return is furnished</li> </ul>	<p>Not applicable</p>	<ul style="list-style-type: none"> <li>• Under reason (iii), to include withholding tax of 2% for payments made to agents, dealers and distributors under Section 107D(3) of the ITA which is not due to be paid</li> </ul> <p><b>Effective date :</b> From 1 January 2023</p>



# Summary of Extension of Time and Expansion of Scope

## INDIRECT TAX

Description	Extension of Time	Expansion of Scope
1. Excise duty and sales tax exemption for taxi and hire car owners	Not applicable	<ul style="list-style-type: none"> <li>To include the following licenses and services:               <ol style="list-style-type: none"> <li>taxis (budget taxis, executive taxis and TEKS1M);</li> <li>airport taxis (budget and family); and</li> <li>hire cars.</li> </ol> </li> <li>The vehicle age condition is relaxed to at least 5 years from the date of registration (previously 7 years).</li> </ul> <p><b>Effective date :</b> Application received by the Royal Malaysian Customs Department (RMCD) from 1 March 2023</p>
2. Full exemption of import duty on components of Completely-Knocked-Down (CKD) Electric Vehicle	2 years (up to 31 December 2027)	Not applicable
3. Full exemption of excise duty and sales tax on Completely-Knocked-Down (CKD) Electric Vehicle	2 years (up to 31 December 2027)	Not applicable
4. Full exemption of import duty and excise duty on Completely-Built-Up (CBU) Electric Vehicle	2 years (up to 31 December 2025)	Not applicable

## STAMP DUTY

Description	Extension of Time	Expansion of Scope
1. Stamp duty exemption on restructuring or rescheduling of loan/financing agreement	2 years (up to 31 December 2024)	Not applicable

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# Contact us

Find out how Grant Thornton can help you with your taxation matters.



**Seah Siew Yun**  
National Tax Practice Leader  
E [siewyun.seah@my.gt.com](mailto:siewyun.seah@my.gt.com)



**Alan Chung**  
Senior Executive Director  
Indirect Tax & Transfer Pricing  
E [alan.chung@my.gt.com](mailto:alan.chung@my.gt.com)



**Daniel Woo**  
Senior Executive Director  
International Tax & GMS  
E [daniel.woo@my.gt.com](mailto:daniel.woo@my.gt.com)



**Chow Chee Yen**  
Senior Executive Director  
Tax Advisory & Compliance  
E [cheeyen.chow@my.gt.com](mailto:cheeyen.chow@my.gt.com)



**Tan Lee Chin**  
Executive Director  
Tax Compliance  
E [leechin.tan@my.gt.com](mailto:leechin.tan@my.gt.com)



**Mohamed Shamir**  
Executive Director  
Tax Audit & Investigation  
E [shamir.ross@my.gt.com](mailto:shamir.ross@my.gt.com)



**Chan Tuck Keong**  
Executive Director  
Transfer Pricing  
E [tuckkeong.chan@my.gt.com](mailto:tuckkeong.chan@my.gt.com)



**Gwendolyn Lau**  
Senior Executive Director  
Tax Advisory & Compliance  
Penang  
E [gwendolyn.lau@my.gt.com](mailto:gwendolyn.lau@my.gt.com)



**Wong Wen Tak**  
CEO of Johor Office  
Johor Bahru  
E [wentak.wong@my.gt.com](mailto:wentak.wong@my.gt.com)



**Yau Chew Yin**  
Executive Director  
Tax Advisory & Compliance  
Johor Bahru  
E [chewyin.yau@my.gt.com](mailto:chewyin.yau@my.gt.com)

## KUALA LUMPUR

Levels 11,15 & 8  
Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
T +603 2692 4022  
F +603 2721 5229  
E [info@my.gt.com](mailto:info@my.gt.com)

## PENANG

Level 5  
Menara BHL Bank  
51, Jalan Sultan Ahmad Shah  
10050 Penang  
T +604 228 7828  
F +604 227 9828  
E [info.pg@my.gt.com](mailto:info.pg@my.gt.com)

## JOHOR BAHRU

Suite 28.01, 28<sup>th</sup> Floor  
Menara Zurich  
No. 15, Jalan Dato' Abdullah Tahir  
80000 Johor Bahru, Johor  
T +607 332 8335  
F +607 332 2268  
E [info.jb@my.gt.com](mailto:info.jb@my.gt.com)

## KUANTAN

Ms Han Siew Bueh  
A-105A, 1st Floor  
Sri Dagangan, Jalan Tun Ismail  
25000 Kuantan, Pahang  
T +609 515 6124  
F +609 515 6126  
E [siewbueh.han@my.gt.com](mailto:siewbueh.han@my.gt.com)



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