

## Malaysia

### Budget 2023 (Retabled): Malaysia Raises Tax Rates for Higher Income, Plans to Introduce Capital Gains Tax on Disposal of Unlisted Shares, to expand tax base

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Report from Nina Umar, Editor, IBFD

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On 24 February 2023, the Prime Minister and Finance Minister, Datuk Seri Anwar Ibrahim, presented the revised Budget for 2023 (Budget 2023) to the parliament. The Budget 2023 was previously tabled to the parliament (see [Malaysia Presents Budget 2023 - Summary \(7 October 2022\)](#)) by the previous administration before the parliament was dissolved on 10 October 2022.

The revised Budget 2023 focuses on measures that are based on three objectives, namely, driving an inclusive and sustainable economic growth, institutional reform and good governance to restore confidence, and combating inequality through social justice.

The key direct tax proposals are summarized below.

#### Corporate tax

- From the year of assessment (YA) 2023, the tax rate on the first MYR 150,000 chargeable income of micro, small and medium enterprises (MSME) will be reduced by 2% from 17% to 15%, and the tax rate for the remaining taxable income will be maintained at 17% and 24%.
- there are no plans to implement wide based consumption taxes, such as Goods and Services Tax due to the high food inflation rate and low wages.
- The government will conduct a study to introduce Capital Gains Tax for the disposal of unlisted shares by companies from 2024.
- The official summary of the Budget 2023 (Budget Touchpoints) states that the global minimum effective tax rate under Pillar Two will be introduced and the Qualified Domestic Minimum Top Up Tax will be implemented (time frame not indicated).
- A tax exemption is introduced on the issuances cost of sustainable and responsible investment (SRI)- linked Sukuk that is approved or permitted or deposited with the Securities Commission Malaysia from YA 2023 until YA 2027.
- Investments in the manufacturing of electric vehicle charging equipment are eligible for 100% tax exemptions on statutory income from YA 2023 until YA 2032 and there will be an investment tax allowance of 100% for 5 years.
- A company that rents non-commercial electric vehicles (EVs) will be given a tax deduction on the rental amount for up to RM 300,000 from YA 2023 until YA 2025.
- Companies undertaking carbon, capture and storage (CCS) in-house activity or CCS services are eligible for tax incentives such as the investment tax allowance, import duty and sales tax exemptions and tax deductions for allowable pre-commencement expenses from YA 2023 until YA 2027.
- The income tax exemption rate on the statutory income of BioNexus status companies will be increased from 70% to 100% and the application period will be extended for 2 years from 1 January 2023.
- The accelerated capital allowance claim and 100% income tax exemption on qualifying expenditure for automation equipment will be enhanced to include the adaptation of Industry 4.0 elements under the scope of automation, the tax incentive is expanded to include the agriculture sector and the limit of capital expenditure is coordinated and increased up to MYR 10 million, from 1 January 2023 until 31 December 2027.
- There will be an extension of the income tax exemption and the investment tax allowance tax incentive for the aerospace industry (3 years) and ship building and ship repairing industry (5 years), from 1 January 2023.
- The tax deduction of up to MYR 1.5 million on the cost of listing on the Access, Certainty, Efficiency and Leading Entrepreneur Accelerator Platform Markets is extended up to YA 2025. This tax deduction is also expanded to include the cost of listing technology-based companies in the Bursa Main Market.
- A special tax deduction of up to MYR 150,000 will be given on qualified Malaysian-made handicraft purchased from registered local handicraft entrepreneurs from 1 January 2023 until 30 December 2025.
- Tax incentives for food production projects are expanded to include agricultural projects based on Controlled Environment Agriculture and the application period is extended for 3 years from 1 January 2023.
- A tax deduction of up to 10% of aggregate income will be introduced for contributions to non-profit organizations that implement sports development and programmes at the grassroots level.

#### Individual tax

- From the year of assessment (YA) 2023, the resident individual income tax rate will be reduced by 2% for each chargeable income band between MYR 35,001 to MYR 100,000 as follows:

Chargeable income (MYR)			Current tax rate (%)	Proposed tax rate (%)
35,001	-	50,000	8	6
50,001	-	70,000	13	11
70,001	-	100,000	21	19

- From YA 2023, the income tax rate for resident individuals will be increased by 0.5% to 2% for the following chargeable income bands:

Chargeable income (MYR)			Current tax rate (%)	Proposed tax rate (%)
100,001	-	250,000	24	25
250,001	-	400,000	24.5	25
400,001	-	600,000	25	26
600,001	-	1,000,000	26	28

- Tax relief for childcare and kindergarten fees will be extended for another year until YA 2024.
- From YA 2023, the tax relief for medical treatment expenditure will be increased from MYR 8,000 to MYR 10,000. The scope of tax relief for medical treatment expenses will be expanded to include the intervention expenditure for autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities limited to MYR 4,000.
- The 15% tax rate will be extended for C-Suite executives in companies that make new strategic investments.
- The scope of tax relief for life insurance premiums or life takaful contributions is expanded to include voluntary contributions to EPF of MYR 3,000 from YA 2023.

Full details of the tax measures proposed under the revised Budget 2023 are available [here](#) (as a PDF). For indirect tax measures, see [Budget 2023 \(Retabled\): Malaysia Plans to Introduce Luxury Goods Tax, Reintroduce Special Voluntary Disclosure Programme \(27 February 2023\)](#).

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## See also

[Budget 2023 \(Retabled\): Malaysia Plans to Introduce Luxury Goods Tax, Reintroduce Special Voluntary Disclosure Programme \(27 February 2023\)](#)

[Malaysia Presents Budget 2023 - Summary \(7 October 2022\)](#)

[Malaysia - Corporate Taxation - Country Surveys sections 1.4. Capital gains, 1.6. Rates, 1.6.1. Income and capital gains, 1.7. Incentives](#)

[Malaysia - Country Analyses - Corporate Taxation sections 1.4. Deductions, 1.7. Capital gains, 1.9. Incentives, 1.9.2. Investment deduction, 1.9.4.5. Investment tax allowance, 1.9.4.8. Reinvestment allowance, 1.9.4.12. Approved food production project, 1.9.4.23. Sports, culture, arts and tourism, 1.9.4.31. National biotechnology policy, 1.9.4.31.4. Income Tax \(Deduction for Investment in a BioNexus Status Company\) Rules 2016 \(PU\(A\) 306/2016 and \(Amendment\) Rules 2022 \(PU\(A\) 212/2022\), 1.9.4.37. Miscellaneous tax incentives, 1.10.1. Income, 12.6. Shipping and air transport](#)

[Malaysia - Individual Taxation - Country Surveys sections 1.7. Personal deductions, allowances and credits, 1.7.2. Allowances, 1.9.1. Income and capital gains](#)

[Malaysia - Country Analyses - Individual Taxation sections 1.8. Personal reliefs, 1.10.1. Income](#)