

# **Appendix II**

## **Tax Measures**

### **Budget 2023**

# List of Appendices

- 111 APPENDIX 1**  
Review of Resident Individual Income Tax Rate
- 
- 115 APPENDIX 2**  
Review of Income Tax Relief for Medical Treatment Expenses
- 
- 117 APPENDIX 3**  
Tax Relief on Voluntary Contribution to Employees Provident Fund
- 
- 119 APPENDIX 4**  
Extension of Individual Income Tax Relief for Child Care Centre or Kindergarten Fees
- 
- 120 APPENDIX 5**  
Review of Income Tax Treatment for Micro, Small and Medium Enterprises
- 
- 121 APPENDIX 6**  
Review of Tax Deduction on Cost of Listing in Bursa Malaysia
- 
- 122 APPENDIX 7**  
Tax Deduction on Issuance Cost of Sustainable and Responsible Investment Linked Sukuk
-





**144 APPENDIX 23**

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

---

**145 APPENDIX 24**

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

---

**146 APPENDIX 25**

Extension of Tax Incentives to Support the Development of Electric Vehicle Industry

---

**148 APPENDIX 26**

Import Duty and Sales Tax Exemption on Nicotine Replacement Therapy

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## APPENDIX 1

# Review of Resident Individual Income Tax Rate

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### Current Position

The resident individual income tax rate is progressive between 0% and 30% on chargeable income. The income tax rate effective from the year of assessment 2021 is as follows:

Chargeable Income (RM)	Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	13
70,001 - 100,000	21
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,001 - 2,000,000	28
Over 2,000,000	30

The income tax rate for non-resident individuals is 30%.

### Proposal

In dealing with high cost of living and to increase disposable income among middle-income *Rakyat*, it is proposed the resident individual income tax rate be reduced by 2 percentage points for each chargeable income band between RM35,001 to RM100,000.

To make the individual income tax structure more progressive, it is proposed the income tax rate for resident individuals at the chargeable income band of RM100,001 to RM250,000 be increased by 1 percentage point, while the chargeable income band of between RM250,001 to RM400,000 be increased by 0.5 percentage points. The two chargeable income bands are combined and subject to a tax rate of 25%.

For the chargeable income band between RM400,001 to RM600,000, the tax rate is proposed to be increased by 1 percentage point from 25% to 26%. Meanwhile, the chargeable income band between RM600,001 to RM1 million will be increased by 2 percentage points and will be combined with the RM1,000,001 to RM2 million band and subject to the tax rate at 28%.

A comparison of the current individual income tax rate and the proposed tax rate are as follows:

<b>Chargeable Income (RM)</b>	<b>Current Tax Rate (%)</b>	<b>Proposed Tax Rate (%)</b>
0 - 5,000	0	0
5,001 - 20,000	1	1
20,001 - 35,000	3	3
<b>35,001 - 50,000</b>	<b>8</b>	<b>6</b>
<b>50,001 - 70,000</b>	<b>13</b>	<b>11</b>
<b>70,001 - 100,000</b>	<b>21</b>	<b>19</b>
<b>100,001 - 250,000</b>	<b>24</b>	<b>25</b>
<b>250,001 - 400,000</b>	<b>24.5</b>	<b>25</b>
<b>400,001 - 600,000</b>	<b>25</b>	<b>26</b>
<b>600,001 - 1,000,000</b>	<b>26</b>	<b>28</b>
1,000,001 - 2,000,000	28	28
Over 2,000,000	30	30

The savings and increase in income tax for individuals resulting from the changes of tax rate are as follows:

Chargeable Income (RM)	Current		Proposed			
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(Tax Savings)/ Additional	
					(RM)	(%)
0 - 5,000	0	0	0	0		
		0		0	**	**
5,001 - 20,000	1	150	1	150		
		150		150	**	**
20,001 - 35,000	3	450	3	450		
		600		600	**	**
35,001 - 50,000	8	1,200	<b>6</b>	900		
		1,800		1,500	(300)	-16.7
50,001 - 70,000	13	2,600	<b>11</b>	2,200		
		4,400		3,700	(700)	-15.9
70,001 - 100,000	21	6,300	<b>19</b>	5,700		
		10,700		9,400	(1,300)	-12.1
100,001 - 250,000	24	36,000	<b>25</b>	37,500		
		46,700		46,900	200	0.4
250,001 - 400,000	24.5	36,750	<b>25</b>	37,500		
		83,450		84,400	950	1.1
400,001 - 600,000	25	50,000	<b>26</b>	52,000		
		133,450		136,400	2,950	2.2
600,001 - 1,000,000	26	104,000	<b>28</b>	112,000		
		237,450		248,400	10,950	4.6

Chargeable Income (RM)	Current		Proposed			
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(Tax Savings)/ Additional	
					(RM)	(%)
1,000,001 - 2,000,000	28	280,000	28	280,000		
		517,450		528,400	10,950	2.1
Over 2,000,000	30		30			

Note: \*\* not relevant

### Effective Date

From the year of assessment 2023.

## APPENDIX 2

# Review of Income Tax Relief for Medical Treatment Expenses

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### Current Position

Income tax relief is given on medical treatment expenses of up to RM8,000 as follows:

- i. serious illness for taxpayer, spouse or child;
- ii. fertility treatment for taxpayer or spouse;
- iii. vaccination for taxpayer, spouse or child limited to RM1,000; and
- iv. full medical check-up including mental health check-up or consultation, COVID-19 detection test inclusive of the purchase of self-test kit for taxpayer, spouse or child limited to RM1,000.

### Proposal

To ease the financial commitment on early intervention for children with learning disabilities, 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 Developmental Delay (GDD), Intellectual Disability, Down Syndrome and Specific Learning Disabilities limited to RM4,000 as below:

- i. diagnostic assessment certified by a medical practitioner registered with the Malaysian Medical Council (MMC); and
- ii. early intervention and rehabilitation programmes conducted by health profession practitioners registered under the Allied Health Profession Act 2016.

With the expansion of this scope, it is proposed that the amount of tax relief for medical treatment expenditure be increased from RM8,000 to RM10,000.

**Effective Date**

From the year of assessment 2023.

## APPENDIX 3

# Tax Relief on Voluntary Contribution to Employees Provident Fund

### Current Position

Individual income tax relief is given on contribution to approved provident funds such as Employees Provident Fund (EPF), takaful or life insurance premium payments. From the year of assessment 2022, the scope of individual income tax relief for EPF contributors is expanded to include self-employed voluntary contributors including civil servants under the pension scheme.

No.	Type of Contribution	Tax Relief
1.	Contribution to approved schemes or voluntary contribution to EPF (not including private retirement scheme) or contribution under any written law	Up to RM4,000
2.	Life insurance premium or takaful contribution or voluntary contribution to EPF	Up to RM3,000

For civil servants under the pension scheme not voluntarily contributing to EPF, income tax relief on takaful contribution or life insurance premium payment can be claimed up to RM7,000.

### Proposal

To further encourage voluntary contribution to increase savings in preparation for old age, it is proposed tax relief for life insurance premium or takaful contribution be restructured as follows:

No.	Type of Contribution	Tax Relief
1.	Mandatory contribution to approved schemes or voluntary contribution to EPF (not including private retirement scheme) or contribution under any written law	Up to RM4,000

No.	Type of Contribution	Tax Relief
2.	Life insurance premium or takaful contribution <b>or</b> additional voluntary contribution to EPF or both	Up to RM3,000

This new treatment is **applicable to civil servants under the pension scheme.**

### **Effective Date**

From the year of assessment 2023.

## APPENDIX 4

# Extension of Individual Income Tax Relief for Child Care Centre or Kindergarten Fees

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### Current Position

Tax relief to individual taxpayers who enroll their children aged up to 6 years old in Child Care Centres (TASKA) registered with the Social Welfare Department or Child Care Centres (TADIKA) registered with the Ministry of Education Malaysia has been increased to RM3,000 for the years of assessment 2020 and 2021. This income tax relief is extended until the year of assessment 2023 as announced in Budget 2022.

This relief can be claimed by either parent of the child.

### Proposal

To ease parents' financial burden in providing early education for children, it is proposed tax relief of up to RM3,000 be extended for a year.

### Effective Date

For the year of assessment 2024.

## APPENDIX 5

# Review of Income Tax Treatment for Micro, Small and Medium Enterprises

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### Current Position

A company or Limited Liability Partnership (LLP) that has a paid-up capital of RM2.5 million and below with an annual sales turnover not exceeding RM50 million per year is categorised as Micro, Small and Medium Enterprises (MSME) and is subjected to income tax of 17% for the first RM600,000 of chargeable income. The remaining chargeable income is taxed at 24%.

### Proposal

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

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

### Effective date

From the year of assessment 2023.

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

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### Current Position

In Budget 2020, 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 Access, Certainty, Efficiency (ACE) Market and by Micro, Small and Medium Enterprises in the Leading Entrepreneur Accelerator Platform (LEAP) Market on the following expenses:

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

### Proposal

To further encourage more technology-based companies and Micro, Small and Medium Enterprises to expand their business by increasing capital funds through listing in Bursa Malaysia, it is proposed the treatment be reviewed as follows:

- i. the existing tax deduction of up to RM1.5 million on the cost of listing on the ACE and LEAP Markets is 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 the year of assessment 2023 until the year of assessment 2025.

## **Tax Deduction on Issuance Cost of Sustainable and Responsible Investment Linked Sukuk**

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### **Current Position**

The Securities Commission Malaysia has introduced the framework on Sustainable and Responsible Investment Sukuk (SRI) which enables fundraising by companies through financing towards improving sustainability practices and supporting the transition to low carbon activities.

The framework on SRI-linked Sukuk aims to address a wider range of financing needs for companies at different stages of their sustainability journey, providing companies more opportunities for transition to net zero carbon targets and further meet the Government's desire to achieve net zero carbon emissions targets by 2050.

### **Proposal**

To provide an innovative Shariah-compliant financing and place Malaysia as a regional hub of SRI-linked Sukuk issuance, it is proposed 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 the year of assessment 2023 until the year of assessment 2027.

## APPENDIX 8

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

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### Current Position

Effective from 1 January 2019, stamp duty rate on the instrument of transfer of property 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%

Stamp duty remission of 50% is given on the instruments of transfer of property executed between parents and children of Malaysian citizenship.

### Proposal

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 duty stamp 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 is given 50% remission on the stamp duty imposed. This stamp duty treatment applies to the recipients who are Malaysian citizens.

### Effective Date

For instrument of transfer of property executed from 1 April 2023.

## Stamp Duty Treatment for Educational Loan/Scholarship Agreement

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### Current Position

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

### Proposal

To streamline 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

For educational loan/scholarship agreement executed from 1 June 2023.

## **Extension of Stamp Duty Exemption on Restructuring or Rescheduling of Loan/Financing Agreement**

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### **Current Position**

Full stamp duty exemption is given on restructuring or rescheduling of loan/financing agreement between borrowers and financial institutions executed from 1 January 2022 until 31 December 2022 subject to the following conditions:

- i. the original loan/financing agreement has been duly stamped; and
- ii. restructuring or rescheduling of the loan/financing agreement does not have the element of additional value to the original amount of loan/ financing.

### **Proposal**

To reduce the cost of borrowing and to improve borrowers' cash flow, it is proposed that full stamp duty exemption on restructuring or rescheduling of the loan/financing agreement be extended for a period of 2 years.

### **Effective Date**

For restructuring or rescheduling of loan/financing agreement executed from 1 January 2023 until 31 December 2024.

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

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### Current Position

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.

Tax treatment on the first purchase of qualifying asset is given capital allowance under Schedule 3, Income Tax Act 1967 while subsequent purchase for replacement of the asset valued less than RM2,000 is given tax deduction under Section 33, Income Tax Act 1967.

### Proposal

To encourage hoteliers to use Malaysian-made handicraft products to support the recovery of the local handicraft industry, it is proposed special tax deduction up to RM150,000 be given on qualified Malaysian-made handicraft purchased from local handicraft entrepreneur registered with Perbadanan Kemajuan Kraftangan Malaysia.

This deduction does not apply to expenditure that has been claimed under Section 33 or Schedule 3 of the Income Tax Act 1967.

### Effective Date

For qualifying handicraft products expenditure incurred from 1 January 2023 until 31 December 2025.

## **Expansion of Scope of Tax Deduction for the Employment of Inmate and Ex-Inmate of Henry Gurney School and Institutions Under the Social Welfare Department**

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### **Current Position**

Remuneration paid to employees is given tax deduction for income tax computation purposes.

In Budget 2019, further tax deductions are given to companies that employ senior citizens and ex-convict. The scope of tax incentive has been expanded to include ex-drug dependants and convicts who are categorised as parolees and supervised persons subject to the following conditions:

- i. the employment is on a full-time basis;
- ii. the monthly remuneration does not exceed RM4,000;
- iii. the employer and employee are not the same person;  
and
- iv. the employer is not a relative of the employee.

The tax incentive is given until year of assessment 2025.

### **Proposal**

In line with Sustainable Development Goals (SDG) 2030 which aimed to provide suitable job opportunities without discriminating certain group, it is proposed the scope of tax incentive be expanded to include remuneration paid to inmate and ex-inmate of:

- i. Henry Gurney School under Malaysian Prison Department;  
and

- ii. protection and rehabilitation institution and non-government care centres registered under the Social Welfare Department.

### **Effective Date**

From the year of assessment 2023 until the year of assessment 2025.

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

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### **Current Position**

Malaysia's Plastics Sustainability Roadmap 2021 - 2030 outlines strategies and action plans to achieve greater levels of plastic recycling ecosystem in Malaysia. This roadmap serves as a guidelines for all stakeholders in ensuring sustainability through the plastic value chain towards creating new value that benefits society and the environment. In line with this roadmap, the Government aims to increase the rate of plastic collection for recycling by 40% in 2025.

Tax deductions under Section 34(6)(h) of the Income Tax Act 1967 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.

### **Proposal**

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 tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be given to companies and other than companies (individuals, partnerships, trusts and cooperatives that have business income) that make donations or sponsorships of Artificial Intelligence (AI) - Driven Reverse Vending Machine.

## **Effective Date**

For contribution/sponsorship and application received by Ministry of Finance from 1 April 2023 until 31 December 2024.

## Tax Incentive for Company Renting Non-Commercial Electric Vehicle

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### Current Position

Companies renting non-commercial motor vehicles, including electric vehicle (EV) are given tax deduction under Section 39(1)(k), Income Tax Act 1967 as follows:

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

The tax treatment is effective from year of assessment 2002.

### Proposal

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

### Effective Date

From the year of assessment 2023 until the year of assessment 2025.

# Tax Incentives for Manufacturer of Electric Vehicle Charging Equipment

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## Current Position

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 network of charging equipment, it is vital to ensure that the product can be produced locally at competitive cost.

## Proposal

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

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

## Effective Date

For applications received by the Malaysian Investment Development Authority (MIDA) from 25 February 2023 until 31 December 2025.

# Tax Incentives for Carbon Capture and Storage

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## Current Position

Under the National Energy Policy 2022 - 2040, Malaysia has to ensure the achievement of the Low Carbon Nation Aspiration by 2040. In line with this aspiration, the Government has identified an initiative to curb the emission of carbon dioxide (CO<sub>2</sub>) using Carbon Capture and Storage (CCS) technology. The oil and gas as well as power generation industries are 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.

## Proposal

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

- i. companies undertaking in-house CCS activity
  - a. Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure for a period of 10 years. The allowance can be set-off against up to 100% of business statutory income;
  - b. full import duty and sales tax exemption on equipment used for CCS technology commencing on 1 January 2023 until 31 December 2027; and
  - c. tax deduction for allowable pre-commencement expenses within 5 years from 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. The allowance can be set-off against up to 100% of statutory income; or
  - b. tax exemption of 70% on statutory income for a period of 10 years; and
  - c. full import duty and sales tax exemption on equipment used for CCS technology starting 1 January 2023 until 31 December 2027.
- iii. companies using CCS services be given tax deduction on fees incurred for use of services.

### **Effective Date**

- i. For application received by Ministry of Finance from 25 February 2023 until 31 December 2027.
- ii. Tax deduction can be claimed through the Income Tax Return Form from the year of assessment 2023 until the year of assessment 2027.

## Tax Incentives for Chicken Rearing in Closed House System

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### Current Position

In Budget 2003, Reinvestment Allowance (RA) for a period of 15 consecutive years was given to chicken and duck rearers who shifted 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.

### Proposal

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

- i. Accelerated Capital Allowance (ACA) 100% on the qualifying capital expenditure; and
- ii. income tax exemption of 100% equivalent to the qualifying capital expenditure.

These 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 the year of assessment 2023 until the year of assessment 2025.

# Review of Tax Incentives for Food Production Project

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## Current Position

Tax incentives for food production projects are given as follows:

- i. a company investing 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.

In year 2021, the scope of the food production project was expanded to planting of seeds for agro-food and high seas fishing projects.

The tax incentive is for applications received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2021 until 31 December 2022.

## Proposal

To further promote participation of industry players in agriculture sector and to ensure the security of domestic food supply, it is proposed tax incentives be reviewed as follows:

- i. scope of tax incentive is expanded to include agricultural projects based on Controlled Environment Agriculture (CEA); and

- ii. application period for tax incentives be extended for 3 years.

### **Effective Date**

For applications received by MAFS from 1 January 2023 until 31 December 2025.

## Review of Tax Incentives for BioNexus Status Company

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### Current Position

Tax incentives for BioNexus status companies are given as follows:

- i. a company investing in a BioNexus status subsidiary company engaging in new project is given tax deduction equivalent to the amount of investment made in the basis year the investment is made.
- ii. a company undertaking biotechnology activity and being approved with BioNexus status:
  - a. income tax exemption of 70% on statutory income commencing from the first statutory income for a period of 10 or 5 years, subject to new or existing business (expansion project);
  - b. concessionary tax rate of 20% on income from qualifying activities for 10 years upon the expiry of the tax exemption period;
  - c. double tax deduction on research & development expenditure;
  - d. Industrial Building Allowance on building for biotechnology research activities; and
  - e. import duty exemption on raw materials/components and machinery/equipment.

The tax incentive is for applications received by Malaysian Bioeconomy Development Corporation from 1 January 2021 until 31 December 2022.

## **Proposal**

To attract more biotechnology industry players, it is proposed tax incentives be reviewed as follows:

- i. income tax exemption rate on statutory income of BioNexus status company be increased from 70% to 100%; and
- ii. application period for tax incentives be extended for 2 years.

## **Effective Date**

For applications received by Malaysian Bioeconomy Development Corporation from 1 January 2023 until 31 December 2024.

# Review of Accelerated Capital Allowance in Manufacturing, Services and Agriculture Sector

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## Current Position

Manufacturing and services companies which incur qualifying capital expenditure on automation equipment is given tax incentive as follows:

- i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products)

Accelerated Capital Allowance (ACA) of 100% for automation equipment on the first RM4 million for qualifying capital expenditure incurred and can be fully utilised within 1 year.

- ii. Category 2: Industries other than Category 1 including the services sector

ACA of 100% for automation equipment on the first RM2 million for qualifying capital expenditure incurred and can be fully utilised within 1 year.

Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment. Thus, eligible capital expenditure that can be claimed is 200% within a year.

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

## Proposal

To further drive the productivity and improve efficiency through automation, it is proposed the ACA 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

For applications received by MIDA and Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 until 31 December 2027.

## Extension of Tax Incentive for Ship Building and Ship Repairing Industry

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### Current Position

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 and can be set-off against up to 70% of the statutory income for each year of assessment.

- ii. existing company

Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years and can be set-off against up to 70% of the statutory income for each year of assessment.

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

### Proposal

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

For SBSR applications received by MIDA from 1 January 2023 until 31 December 2027.

## Extension of Tax Incentive for Aerospace Industry

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### Current Position

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% for a period between 5 to 10 years; or
  - b. Investment Tax Allowance of 60% to 100% for a period of 5 years and can be set-off against 70% to 100% of statutory income for each year of assessment.

- ii. existing company

Investment Tax Allowance of 60% for a period of 5 years and can be set-off against 70% of statutory income for each year of assessment.

The tax incentive is for applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2022.

### Proposal

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

For applications received by MIDA from 1 January 2023 until 31 December 2025.

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

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### **Current Position**

Dasar Industri Kreatif Negara has been introduced to empower the creative industries holistically based on creativity and innovation through the production of high quality products and dignify the art and cultural heritage.

The availability of high-tech infrastructure and a conducive ecosystem are the main catalysts to promote growth and increase the competitiveness of the local creative industry. Industry players including film producers need to continue exploring innovation and take advantage of new technologies to produce creative content with international standard.

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 between 5% to 30% and sales tax of 10%.

### **Proposal**

In order to boost the level of creativity of industry players in creating high value creative content in the domestic and international markets as well as attracting foreign film producers to carry out filming activities in Malaysia, it is proposed 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**

For 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

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### Current position

In Budget 2012, excise duty and sales tax exemption were given on the sale/transfer/private use/disposal of budget taxis and hired cars subject to the following conditions:

- i. limited to individually owned budget taxis and hired cars only; and
- ii. age of vehicle must exceed 7 years from the date of registration.

### Proposal

To assist individual taxi owners affected by the COVID-19 pandemic, it is proposed the excise duty and sales tax exemption on sale/transfer/private use/disposal of individually owned taxis and hired cars be expanded and reviewed as follows:

- i. exemption granted based on these licenses and services:
  - a. taxis (budget taxis, executive taxis and TEKS1M);
  - b. airport taxis (budget and family); and
  - c. hired cars.
- ii. vehicle age condition is relaxed to at least 5 years from the date of registration.

### Effective Date

For applications received by the Royal Malaysian Customs Department from 1 March 2023.

# Extension of Tax Incentives to Support the Development of Electric Vehicle Industry

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## Current Position

In Budget 2022, to support the development of Electric Vehicle (EV) industry and encourage domestic demand in line with Low Carbon Mobility Blueprint – LCMB, EV Roadmap and National Automotive Policy – (NAP) 2020, tax exemptions for EV consist of passenger vehicles (including SUV and MPV), commercial vehicles and motorcycles are given as follows:

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

## Proposal

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

No.	Tax Measures	Incentive Period Extension
1.	<b>Full import duty</b> exemption on components for locally assembled EV	Until 31.12.2027
2.	<b>Full excise duty and sales tax</b> exemption on locally assembled CKD EV	
3.	<b>Full import duty and excise duty</b> exemption on imported CBU EV	Until 31.12.2025

# Import Duty and Sales Tax Exemption on Nicotine Replacement Therapy

## Current Position

Smoking cessation services at Government health clinics and hospitals have been implemented since 2000. Starting 2015, this service has been expanded to private health facilities including hospitals, clinics and pharmacies through public and private collaboration under the mQuit Programme. In this programme, the Nicotine Replacement Therapy (NRT) is used as one of the medical treatment options for smoking cessation.

The NRT aims to supply smokers with enough nicotine to gradually reduce the symptoms of addiction without the harmful substances resulting from burning cigarettes or heating the liquid of electronic cigarettes. 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%

## Proposal

To support the mQuit Programme and encourage the use of NRT as an option for smoking cessation, it is proposed import duty and sales tax exemption be given to nicotine gum and nicotine patch for a period of 3 years.

## Effective Date

For applications received by the Ministry of Finance from 1 April 2023 until 31 March 2026.