CHARTERED TAX INSTITUTE OF MALAYSIA

Date: 7 October 2022

MEDIA STATEMENT

CTIM on Budget 2023

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The Budget 2023 announced today by the Minister of Finance which is themed "Keluarga Malaysia, Makmur Bersama" is driven based on the 3R strategy i.e.: "Responsive", "Responsible" and "Reformist" and has an overall focus on the people, businesses and the economy. It has a total allocation of RM372.30 billion which represents a RM40.20 billion increase compared to the RM332.10 billion allocated for Budget 2022.

Similar to the Budget 2022, there were no new tax regimes announced in the Budget 2023 today. As expected, the Good and Services Act (GST) did not make a comeback in this Budget. This is in line with the Institute's thinking that it is still not the right time to introduce new taxes when the economy is in the recovery phase. A minimum effective tax rate is targeted to be introduced for multinational corporations with global annual turnover exceeding a certain threshold as recommended under Pillar 2 of the BEPS Action Plan 1 which was originally scheduled to be implemented in the year 2023 will now be deferred to the year 2024 which is consistent with the general approach adopted by many countries. It also gives Malaysia more time to study the implications and implementation of this minimum effective tax rate in consultation with stakeholders.

A reduction in personal income tax rate does not happen often. It comes as a welcomed surprise that the personal income tax rate will be reduced by 2% for individuals earning chargeable income between RM50,001 to RM100,000. This is part of the Government's efforts in helping middle-income individuals deal with the rising cost of living and increase their disposable income by up to RM1,000. The tax rates for individuals earning chargeable income between RM250,001 to RM400,000 will be marginally increased by 0.5% (i.e. from 24.5% to 25%). These changes will take effect from the year of assessment (YA) 2023.

There are other goodies for individual taxpayers. For instance, the income tax exemption which ends in YA 2024 for employment income of women who return to work after their career break has been extended to YA 2028. This extension will encourage more women to return to work and contribute to the economy. The tax relief of up to RM8,000 given to parents on net annual savings in the National Education Savings Scheme (SSPN) which ends in YA 2022 and RM3,000 given to parents paying for daycare and kindergarten fees for their children aged up to 6 years which ends in YA 2023 will be extended to YA 2024. This extension will ease the financial burden of parents for pre-school as well as tertiary education.

For instrument of transfer of property executed from 1 January 2023, only a stamp duty of RM10 will be imposed on the instrument of transfer of property between family members (e.g. husband to wife, father to child or grandfather to grandchild) on the condition that the recipient of the property is a Malaysian citizen. Currently, 50% of the ad valorem stamp duty is imposed on the instrument of transfer of property between parent and children of Malaysian citizenship which can be a substantial amount. This will ensure that the transfer of property within the family from one generation to another will not result in a financial burden. This initiative by the Government is to be applauded for generations to come.

In relation to real property transfer documents and loan agreements for homes worth more than RM500,000 to RM1 million, the stamp duty exemption will be increased from 50% to 75% until 31 December 2023 for first time home buyers. It would be beneficial to taxpayers to consider buying a house by the end of the year 2023 to capitalise on this incentive which will be a boost to the property market.

The income tax rate for Micro, Small and Medium Enterprises (MSMEs) will be reduced from 17% to 15% for the first RM100,000 taxable income with effect from YA 2023. This measure is set to benefit 150,000 MSME taxpayers in tax savings of up to RM2,000 each which will help them during this post Covid-19 recovery period. This continues the Government's practice of supporting MSMEs in recent Budgets and recognising their contribution to the economy.

The Government is strongly supportive of the tourism and medical tourism sectors by giving additional tax incentives such as 100% tax exemption on statutory income of tour operators subject to conditions, 50% excise duty exemption on purchase of tourism vehicles, reinvestment allowance for tourism and hotel projects for YA 2023 to YA 2027, and extending the existing tax incentive on the export of private healthcare services until 2025. This will be a welcome boost for the tourism sector that have been struggling for the past two years. Hopefully, this will also have positive ripple effects on the substantial workforce in this sector.

Overall, the Budget 2023 is indeed an expansionary budget and a pro-investment, pro-development, pro-education, pro-environment, pro-empowerment, and most importantly, a pro-people budget. This Budget prioritises reinforcing the momentum of the current economic recovery, and it is expected to continue the country's ongoing recovery momentum in addition to placing emphasis on structural reforms and strengthening economic resilience.

Chow Chee Yen is the President of the Chartered Tax Institute of Malaysia.

Established in the year 1991 as the Malaysian Institute of Taxation, The Chartered Tax Institute of Malaysia has over the years grown to be recognised as the premier organization that acts as the collective voice of tax professionals in Malaysia. Members of the Institute consist of branches of the tax practice in Malaysia and members of more than 3,900 tax professionals consisting of licensed tax agents, legal practitioners, accountants, academics, and other tax practitioners as well as members from government bodies and agencies such as the Ministry of Finance, Inland Revenue Board of Malaysia and the Royal Malaysian Customs Department.