



## **MEDIA STATEMENT**

### **CTIM on *Belanjawan* 2023: Membangun Malaysia MADANI**

**Chow Chee Yen, President Chartered Tax Institute Malaysia**

*Belanjawan* 2023: Malaysia MADANI announced today by the Prime Minister-cum-Minister of Finance with the theme “Membangun Malaysia MADANI” (Developing a Civil Malaysia) is based on three main areas of focus i.e. inclusive and sustainable economic drive, institutional and governance reforms to restore confidence and social justice to reduce inequality. RM388.1 billion has been allocated compared to RM372.3 billion allocated for Budget 2023 (announced by the previous Government on 7 October 2022) making it the largest budget to date.

Unlike Budget 2023, new taxes were announced in *Belanjawan* 2023 such as luxury goods tax, capital gains tax on disposal of unlisted shares by companies from 2024 and excise duty on products containing nicotine used in electronic cigarettes and vapes. The Government has been careful to extend the tax base by imposing new taxes on transactions which will impact those with means without burdening the majority.

Currently, Malaysia’s capital gains tax is in the form of Real Property Gains Tax only. There have been debates over the years if the capital gains tax should be extended to trading activities and other forms of assets. *Belanjawan* 2023 unveils that the Government will be studying the introduction of capital gains tax on the disposal of unlisted shares by companies from 2024. The Institute lauds the Government’s announcement that it will engage with stakeholders to examine the details of this proposal.

Some have opined that the Government should bite the bullet by reintroducing Goods and Services Tax (GST) to bolster much needed revenue. The Government as expected has maintained its resolve not to do so because many are facing hardship, high food inflation and low wages. Although the Government has been non-committal, it could be a matter of time before an announcement on GST is made. If so, it is hoped that the new GST will address the shortcomings of its predecessor.

The re-introduction of a special voluntary disclosure program from 1 June 2023 to 31 May 2024 to allow 100% waiver of penalties on unpaid direct taxes and indirect taxes will help to replenish the Government’s coffers as well as benefit taxpayers who wish to capitalise on this program. The appetite for taxpayers to step forward to voluntarily disclosure of unpaid taxes may not be as strong as before unless there are compelling reasons to do so. Communication of expectations and transparency between the tax authorities and taxpayers are also expected to affect the desired outcome of the program.



The proposed cut in tax rate by 2% for the RM35,001 to RM100,000 taxable income band is expected to benefit approximately 2.4 million taxpayers of the M40 group. This is a recognition that the rising costs of living has also hit the M40 group hard besides the B40 group that has been receiving the lion's share of Government assistance. It is observed that the Government is willing to extend the tax rate cut to those in the RM35,001 to RM50,000 taxable band who were not beneficiaries of a similar proposal in Budget 2023. On the other hand, the Government has proposed to raise the tax rate by 0.5% to 2% for the RM100,001 to RM1 million taxable band which is expected to affect approximately 150,000 taxpayers. This readjustment of tax rates across the bands is consistent with what appears to be the Government's thinking of helping those who are facing hardship and extending the tax base to those who are able to afford it.

There was no announcement on introducing a minimum effective tax rate for multinational corporations with global annual turnover exceeding the threshold recommended under Pillar 2 of the BEPS Action Plan 1. It was announced in Budget 2023 that the minimum effective tax rate would be introduced in 2024 but this announcement has been superseded. This suggests the possibility that the next budget will announce the introduction of the minimum effective tax rate at a later date. It is hoped that adequate time will be given for Malaysia to study the implications and implementation of this minimum effective tax rate in consultation with stakeholders

It is heartening to note that the Government will be taking proactive steps to improve procedures for doing business and keep Malaysia as an attractive destination for foreign direct investments. It is hoped that the New Industrial Master Plan 2030 that will be announced in the third quarter of 2023 will achieve its objective of charting the direction of industrial development focused on high quality activities and the recruitment of local talent. The intention of restructuring investment promotion agencies and investment incentives towards revenue-based phased tax rates such as creating high-value jobs, deepening supply chains with local firms and creating new industry clusters and strengthening the monitoring of investments that receive incentives to ensure that the expected benefits are fully obtained by the country and the people is ambitious in scope but necessary. The close co-operation between the public and private sector stakeholders will play a major role in implementing this Master Plan effectively.

Overall, *Belanjawan* 2023 focuses on the *rakyat* from all walks of life which includes employers, employees, middle-income groups, farmers, graduates, disabled, ex-convicts, homeless, unemployed and bankrupts. It tackles the bread-and-butter issues of the *rakyat* to help those struggling with soaring inflation, including handouts for the poor and income tax cuts for middle income earners and the high national debt. *Belanjawan* 2023 also emphasises on incentives for various business sectors such as manufacturing, agriculture, services and bionexus to name a few.



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*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.*