



Malaysia – Budget 2023

Overview

On 24 February 2023, the 2023 National Budget is being re-tabled under Malaysia’s new government following the 2022 general elections held in November 2022. The newly appointed minister of finance announced a revised 2023 national budget and highlighted below are the relevant proposals announced from the perspective of an individual and an employer.

What is the change?

Voluntary Disclosure Programme

It is proposed that the Inland Revenue Board of Malaysia reintroduces the Voluntary Disclosure Programme. Any voluntary disclosures submitted from 1 June 2023 to 31 December 2024 will be given a 100% penalty waiver.

Effective date: 1 June 2023 to 31 December 2024

Individuals

Review of the income tax rate for individuals

Currently, the income tax structure for resident individuals is based on progressive tax rates ranging from 0 percent to 30 percent on chargeable income.

The 2023 budget proposes the following changes to the income tax rate for resident individuals:

Chargeable income (RM)	Current tax rate (%)	Proposed tax rate (%)
0–5,000	0	0
5,001–20,000	1	1
20,001–35,000	3	3
35,001–50,000	8	6
50,001–70,000	13	11
70,001–100,000	21	19
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
1,000,001–2,000,000	28	28
Exceeding 2,000,000	30	30

The 2 percent reduction would allow middle-income taxpayers to enjoy a higher disposable income. Taxpayers can expect to enjoy tax savings between RM300 to RM1,300. However, those in the higher income group are expected to pay additional taxes of between RM200 to RM10,950.

Effective date: From year of assessment 2023

Extension of reliefs

Relief	Description	Extension
Tax relief for fees paid to childcare centres	The individual income tax relief for payments made	This tax relief is proposed to be

and kindergartens	to registered childcare centres and kindergartens is RM3,000 for years of assessment 2020 to 2023.	extended up to year of assessment 2024.
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Expansion of scope of reliefs

Relief	Description
Expansion of scope for life insurance premiums paid to include a voluntary contribution to the Employee Provident Fund (EPF)	<p>Currently, income tax relief is given as follows:</p> <ol style="list-style-type: none"> Mandatory contribution by private sector employees or voluntary contributions by self-employed individuals or pensionable civil servants: RM4,000 Life insurance premiums: RM3,000 <p>To further encourage voluntary contribution to increase savings in preparation for old age, it is proposed that the scope of (2) be expanded to include voluntary contributions to the EPF.</p> <p>This is in addition to the existing EPF contribution relief of RM4,000 in item (1).</p> <p>Effective date: From year of assessment 2023</p>
Expansion of scope for medical expenses for self, spouse, and children	<p>Currently, an individual taxpayer is eligible for tax relief of RM8,000 for medical expenses incurred for serious diseases and fertility treatment. This includes:</p> <p>Expenses for a full medical check-up of up to RM1,000. This scope includes: Mental health-related examinations or consultation services; and COVID-19 detection tests conducted by registered hospital/clinic/medical practitioners, or the purchase of a self-detection test kit</p> <p>Vaccination expenses of up to RM1,000</p> <p>It is proposed that the scope and quantum of the above relief be expanded as follows:</p> <p>The quantum of the tax relief be increased to RM10,000</p> <p>The scope of tax relief be expanded to include intervention expenditure (limited to RM4,000) on certain neurodevelopmental disorders* as follows: diagnostic assessment certified by a registered medical practitioner; early intervention and rehabilitation programmes conducted by registered health-profession practitioners.</p> <p>Effective date: From year of assessment 2023</p> <p><i>*Autism, Attention Deficit Hyperactivity Disorder, global developmental delay, intellectual disability, Down Syndrome, and specific learning disabilities</i></p>

Tax deductions

To ensure that donations are channelled to the respective community-related projects, the following tax deductions have been proposed:

- A tax deduction of up to 10% of aggregate income in respect of donations made to welfare hospitals registered as private companies limited by guarantee.
- The tax deduction of up to 10% of aggregate income will be given to those who contribute to any nongovernmental organisation involved in sports development at the grass-roots level.
- Tax deduction in respect of contributions made to the Malaysian National Film Development Corporation (Finas).*

*The quantum of tax deductions was not yet provided at the time of this newsletter's distribution.

Special tax rate for C-suite individuals in the electrical and electronics sector
The government proposes to extend tax incentives for companies that relocate their operations to Malaysia and extend the flat rate of 15% tax rate to noncitizen C-suite individuals until 2024.

We expect further guidance will be forthcoming from the relevant authorities.

Social Security Organisation (SOCSO)

Hiring incentive under SOCSO

To encourage the private sector to employ high-value employees, it is proposed that SOCSO will provide the following incentives:

- An incentive of RM600 per month for three (3) months for employers who employ technical and vocational education and training graduates will be utilised as a top-up to the offered salary.
- An incentive of RM600 per month for three (3) months to employers

who hire vulnerable individuals (i.e., people with disabilities, homeless, or unemployed)

Upskilling for gig workers

To encourage the youth to upskill and earn a meaningful wage, SOCSO will provide an allowance of RM300 for three (3) months to supplement the income of active gig workers undergoing training.

Incentives for women returning to work after a career break

To encourage women to return to work, SOCSO will amend its act to allow the granting of a grant equal to 80 percent of the value of the insured salary employee.

We expect further guidance will be forthcoming from the relevant authorities.

Expansion of the Self-Employment Social Security Scheme

The Self-Employment Social Security Scheme was introduced to protect self-employed individuals.

It is proposed that from year 2023 that the government shall bear 80 percent of the SOCSO contribution due, and the applicable self-employed individuals would only need to bear the balance of 20%.

Deloitte's view

Themed Developing Malaysia Madani, Budget 2023 appears to be a socially conscious and holistic budget focusing on issues at the forefront (i.e., people, small and medium enterprises, green initiatives, digital progress, and developing a humane economy).

The reintroduction of the voluntary disclosure programme is a welcome move as it allows the government to address tax leakages and enhance tax compliance. Taxpayers should be encouraged to meet the government halfway and review their Malaysian tax matters for any under or non-declaration of income.

Overall, this is one of the more well-thought-out budgets—it provides more targeted and focused measures while considering funding considerations. This is evident in the individual tax rate change proposal, where the loss of revenue from the middle-income group will be balanced out by the additional revenue from the high-income group.

Contacts

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Ang Weina (Kuala Lumpur)
Partner (National Practice Leader)
Deloitte Malaysia
+6 03 7610 8841
angweina@deloitte.com

Chee Ying Cheng (Kuala Lumpur)
Partner
Deloitte Malaysia
+6 03 7610 8827
yichee@deloitte.com

Michelle Lai (Kuala Lumpur)
Director
Deloitte Malaysia
+6 03 7610 8846
michlai@deloitte.com

Au Yeong Pui Nee (Penang)
Director
Deloitte Malaysia
+60 4 218 9888 (ext 3005)
pnauyeong@deloitte.com

Lee Lai Kuen (Kuala Lumpur)
Associate Director
Deloitte Malaysia
+6 03 7610 8881
lailee@deloitte.com

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Janice Lim (Kuala Lumpur)
Associate Director
Deloitte Malaysia
+6 03 7610 8129
janilim@deloitte.com
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