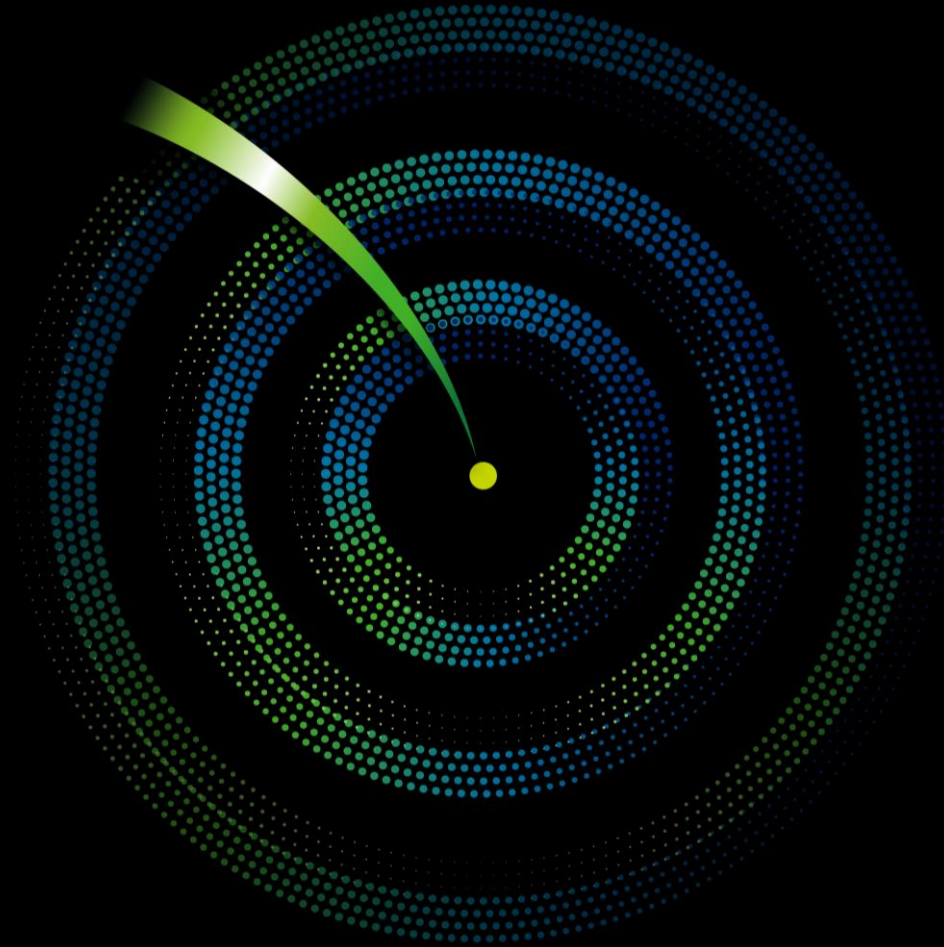


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Deloitte TaxMax
Building a sustainable and resilient future

Sim Kwang Gek | 16 March 2023

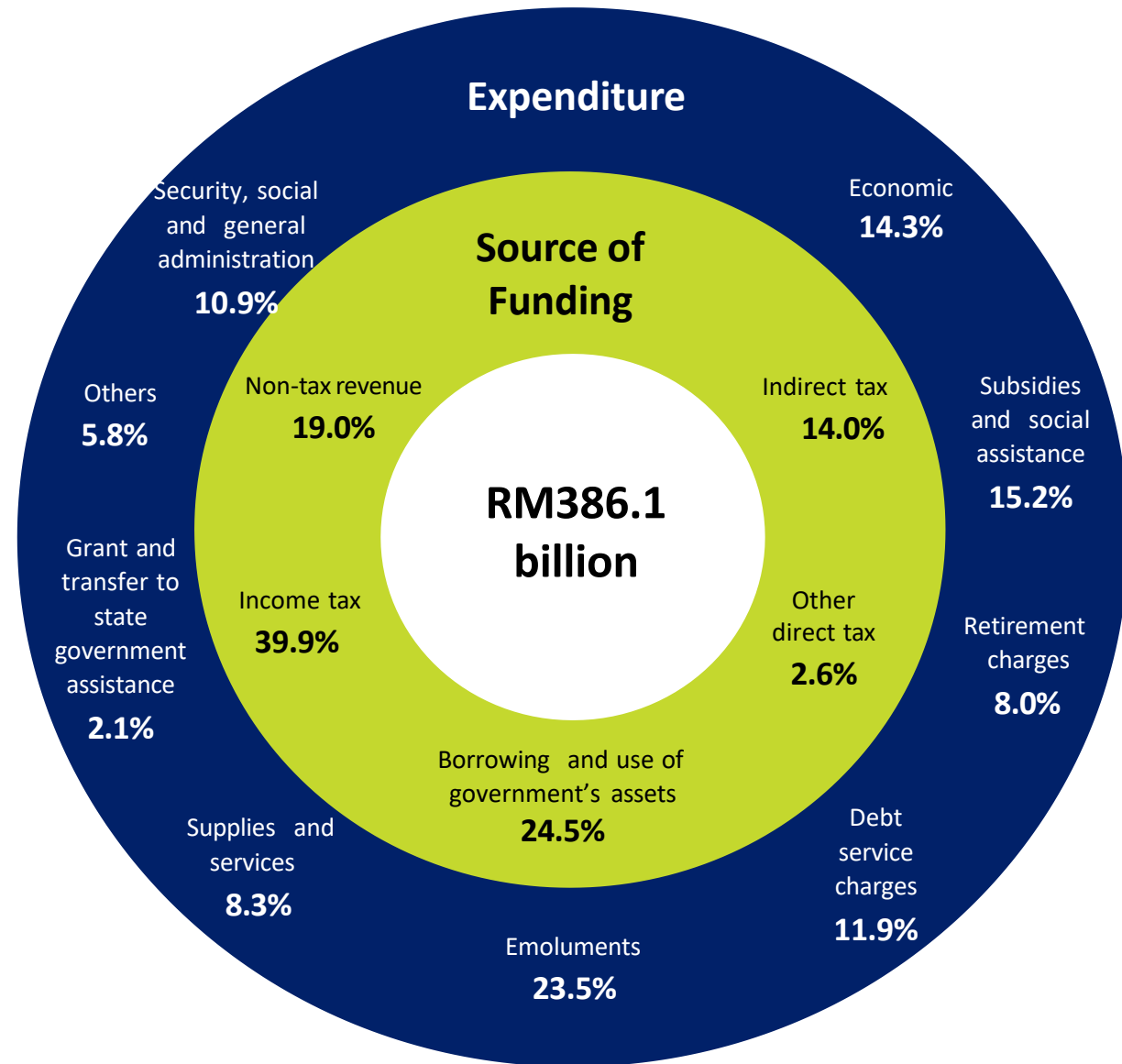


Budget 2023

Source of funding and expenditure

	2022	2023
GDP growth (constant 2015 prices)	8.7%	4.5%
Fiscal deficit (% of GDP)	-5.6%	-5.0%
Operating expenditure	RM292.7 b	RM289.1 b
Development expenditure	RM70.2b	RM96.3b
Federal government revenue	RM294.4b	RM291.5b
Projected tax collection ¹		
• Direct tax	RM 153.5b	RM164.1b
• Indirect tax	RM 55.3b	RM54.1b

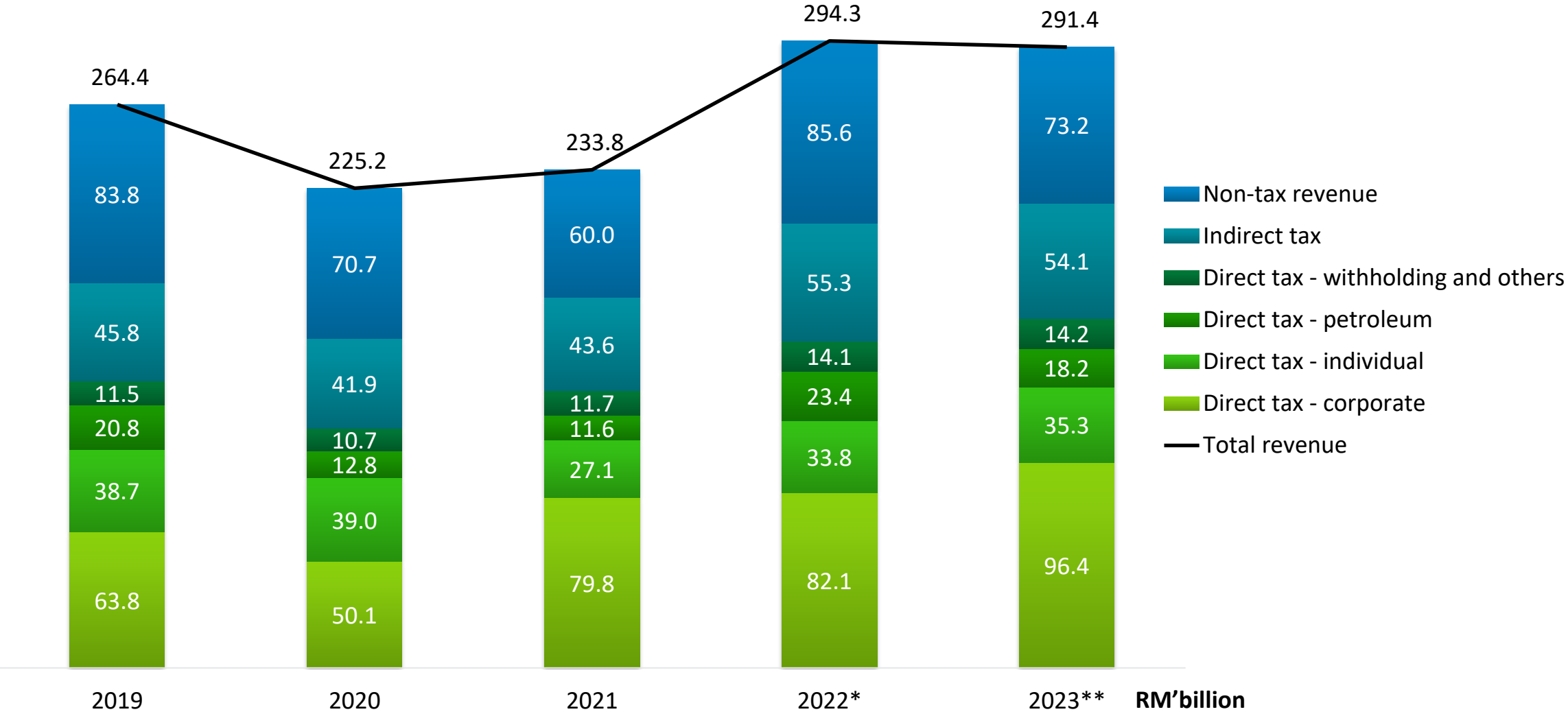
1. 2022 preliminary revenue and 2023 estimate
Source: Ministry of Finance



■ Expenditure

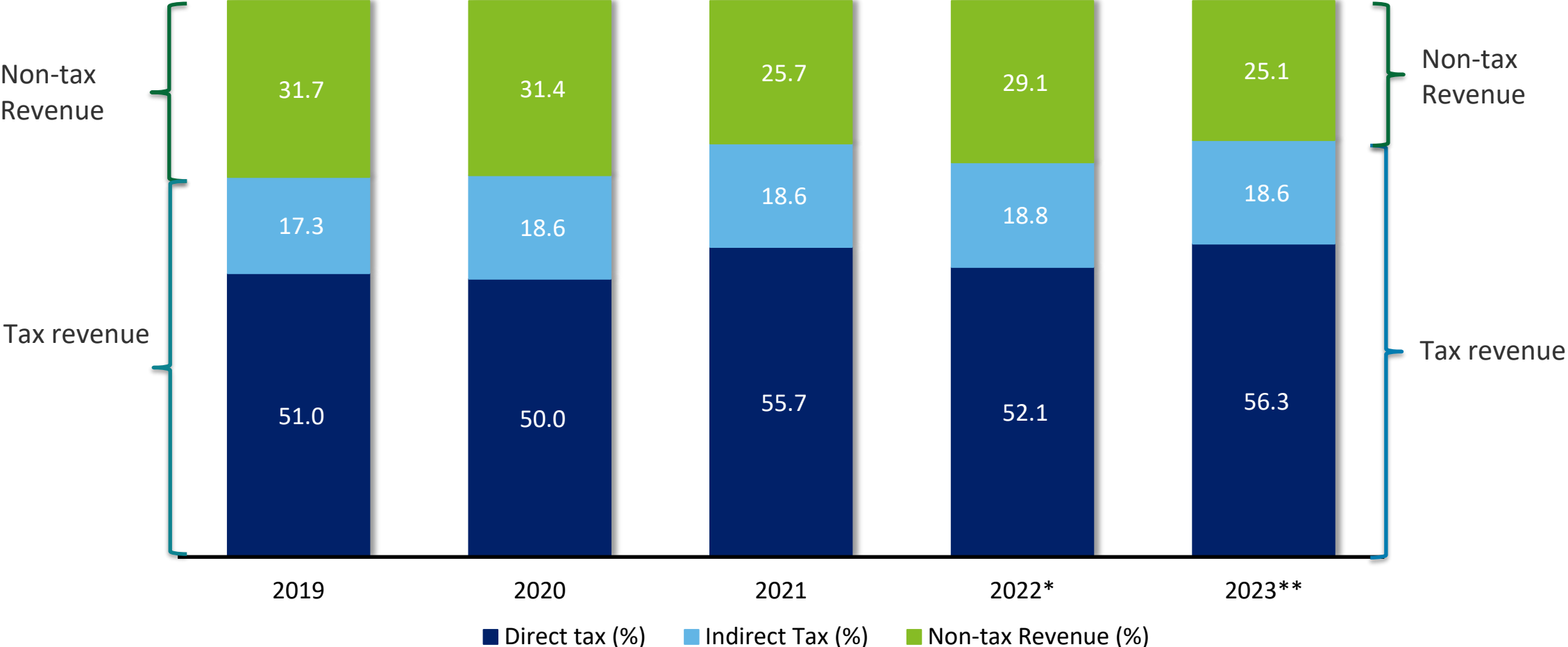
■ Source of Funding

Component of Federal Government Revenue



*Revised estimate
 **Budget estimate, excluding 2023 budget measures
 Source: Ministry of Finance

Percentage of revenue component over total revenue



*Revised estimate
 **Budget estimate, excluding 2023 budget measures
 Source: Ministry of Finance

Special Voluntary Disclosure Program (SVDP)



	SVDP 1.0	SVDP 2.0
 Period offered	<ul style="list-style-type: none"> 3 November 2018 to 30 September 2019 	<ul style="list-style-type: none"> 1 June 2023 to 31 May 2024
 Penalty rate	<ul style="list-style-type: none"> 10% or 15% 	<ul style="list-style-type: none"> 0%
 Tax collection	<ul style="list-style-type: none"> RM7.88 billion 	<ul style="list-style-type: none"> Estimated tax assessment of RM1 billion
 Number of taxpayers	<ul style="list-style-type: none"> 286,482 taxpayers 	<ul style="list-style-type: none"> 50,000 taxpayers

Treatment of capital gains - regional peers comparison

Hong Kong	Offshore gains from equity interest disposal – treated as part of taxable passive income <i>- Arising from a consultation on enhancing the tax certainty around onshore gains on disposals of equity interests in mid-March 2023</i>
Indonesia	The capital gains derived by an Indonesian resident company are taxed at the standard corporate income tax rate Corporate – 22%, individuals – 5% to 35%
Thailand	Capital gains are subject to normal income tax, with no restrictions on the use of capital losses to offset net taxable profits Corporate – 20%, Individual – 5% to 35%
Philippines	Capital gains are generally taxed as income and subject to the regular corporate income tax Gains on sale of unlisted shares – 15% (corporate & individual)
Laos	Income from sale of shares not listed on a securities exchange is subject to income tax at 2%, imposed on selling price. Capital gains on land related assets are generally subject to the regular corporate income tax
Cambodia	Gains from the sale of assets / shares are subject to tax at a prescribed rate (20%) – postponed to 1 Jan 2024
Vietnam	Capital gains are taxed at standard corporate tax rate Capital gains on unlisted shares : Corporate – 20%, individuals – 0.1% on sale proceeds or 20% on gain depending on the tax residency of the individuals and type of companies

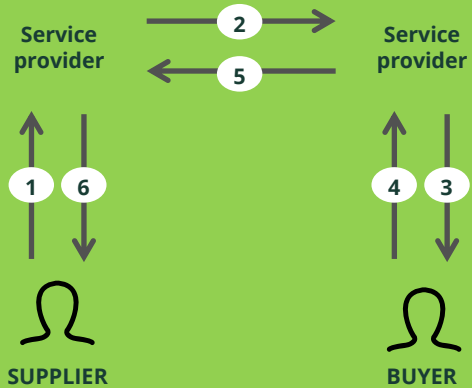
Future taxation landscape in Malaysia



E-invoicing

Current Models

Post audit method



Fully digital exchange of any transaction documents **via interoperability**. No preapproval from the tax authority is required.

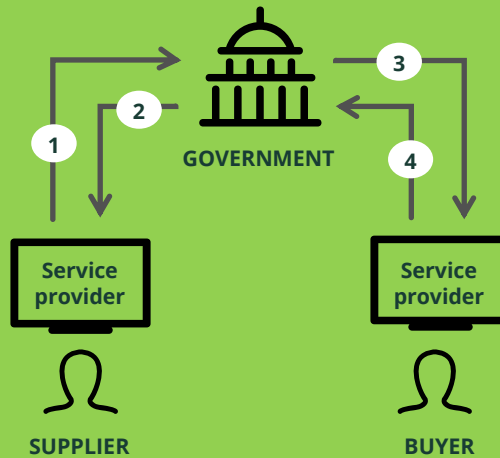


Peppol



Russia

Hard clearance



Government acts as the central hub or gateway through which invoices must be validated by **using a predefined infrastructure** before they are considered fiscally valid.

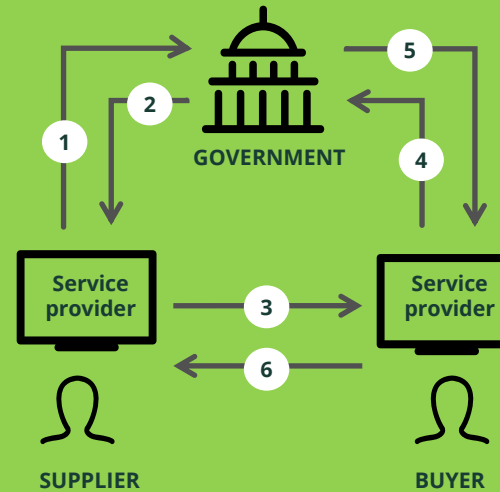


Italy



Turkey

Centralized Soft clearance



Approval of transactions **pre-issuance** and validation post-receipt. The supplier and buyer can trade without pre interference of the tax authorities

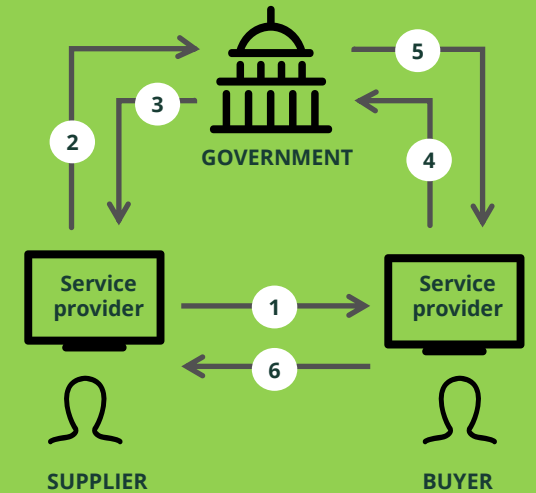


India



Saudi Arabia

Decentralized Soft clearance



Approval and validation of transactions post-receipt. The supplier and buyer can trade without pre interference of the tax authorities



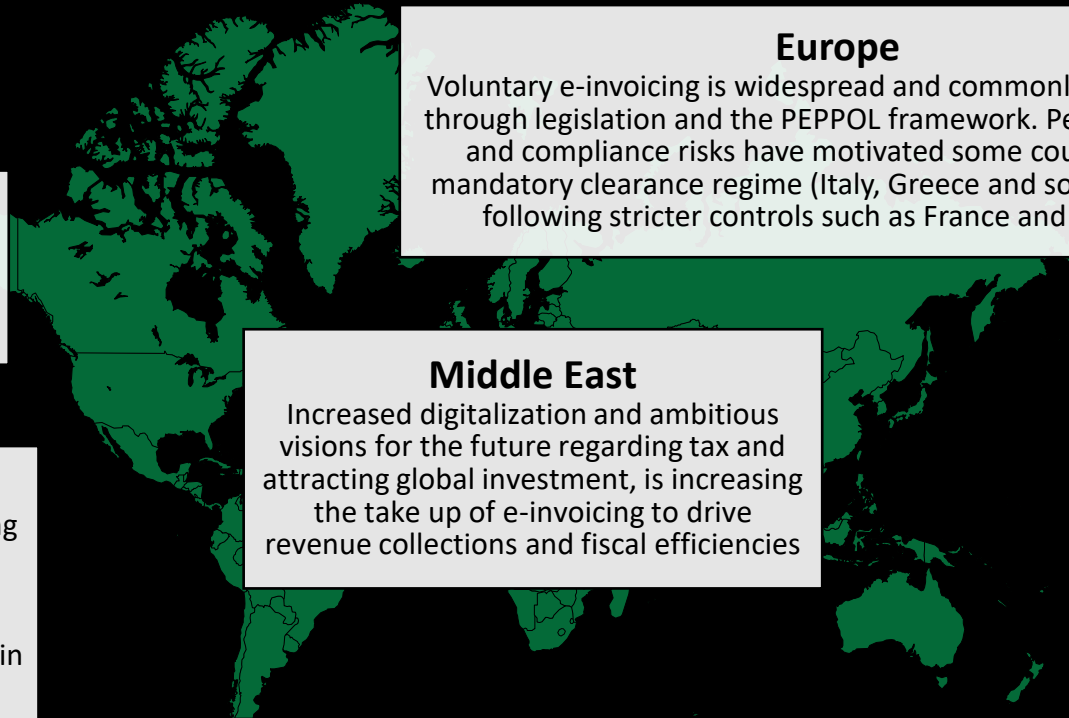
South Korea



The Philippines

E-invoicing – future vision

E-invoicing, whether voluntary, mandatory, control-focused, trade facilitation or clearance-based has similar drivers. These drivers are influenced by factors such as technology uptake and availability, concerns over tax fraud and compliance, and the desire to facilitate trade. Interestingly, more modern implementations of e-invoicing are embracing ‘higher control’ models.



North America

Voluntary e-invoicing and adoption of the PEPPOL framework

Latin America

Latin America is an early adopter of e-invoicing technology. Mandatory clearance regimes requiring tax authority approval for the issuance of e-invoices is widespread and controls have become stricter, as for example in Mexico

Europe

Voluntary e-invoicing is widespread and commonly harmonized through legislation and the PEPPOL framework. Persistent fraud and compliance risks have motivated some countries to a mandatory clearance regime (Italy, Greece and some countries following stricter controls such as France and Hungary)

Middle East

Increased digitalization and ambitious visions for the future regarding tax and attracting global investment, is increasing the take up of e-invoicing to drive revenue collections and fiscal efficiencies

Africa

Several countries have implemented full e-invoicing systems (South Africa, Tunisia), while others are advancing e-invoicing legislation (Kenya)

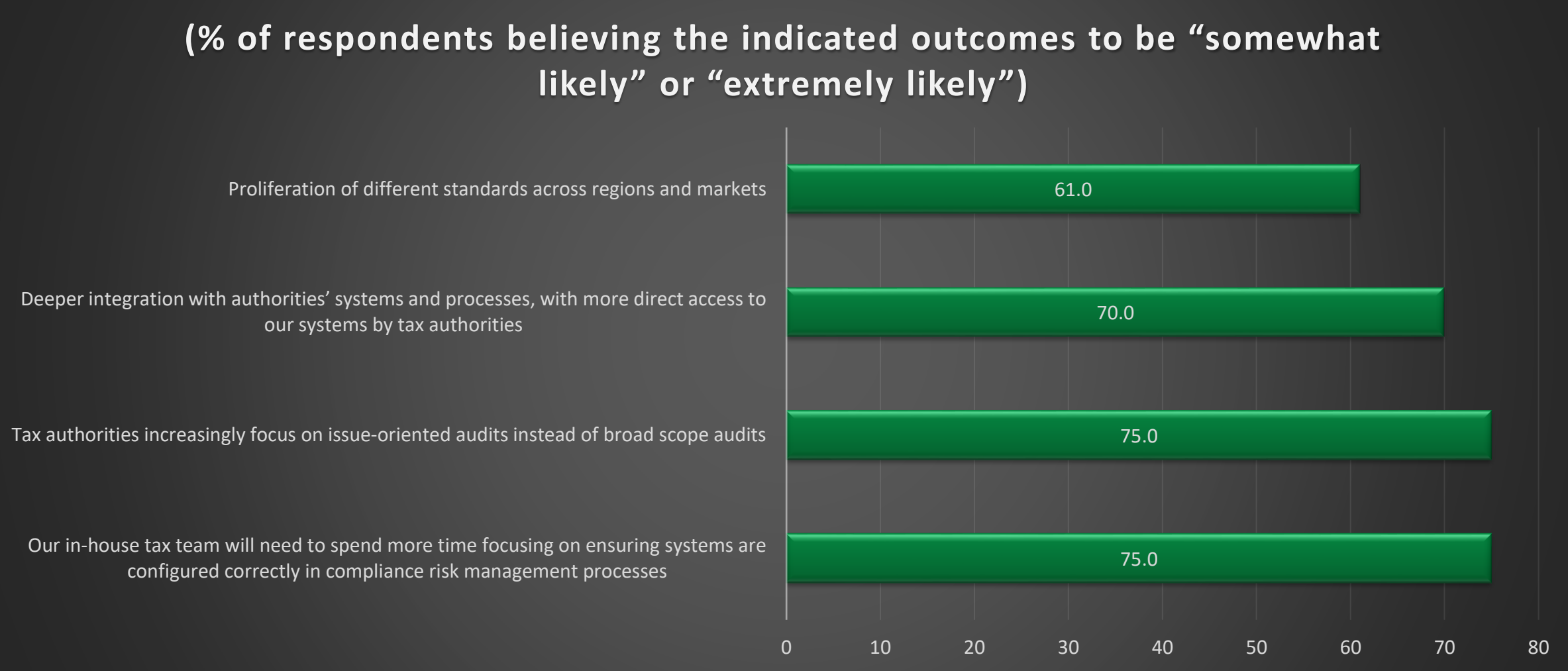
Asia Pacific

Although widespread, there is a divergence between jurisdictions with voluntary e-invoicing/digital controls (Australia, Singapore, New Zealand) and mandatory clearance regimes (Russia, China, India, Indonesia, South Korea, Taiwan)

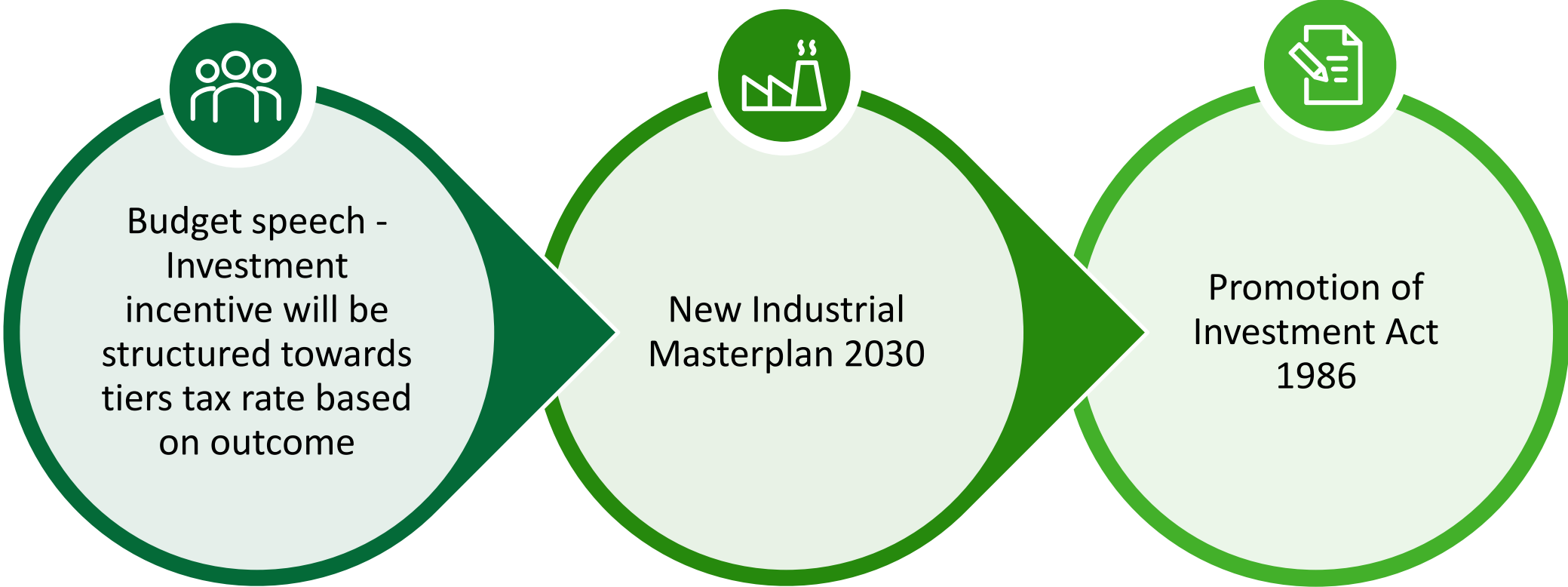
Digitalisation of tax administration

Deloitte survey: Tax transformation trends: Technology in Focus

Likely outcomes over the next 3-5 years from tax authorities' move toward digital filing and reporting



Revamping our tax incentives



Future taxation landscape in Malaysia





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