

## BUDGET 2023

## Datuk Khairussaleh Ramli

GROUP PRESIDENT/CEO OF MAYBANK GROUP  
CHAIRMAN OF THE ASSOCIATION OF BANKS IN  
MALAYSIA (ABM)

Budget 2023 lays the foundations for fiscal reforms, starting with the shift to targeted subsidies. This must be complemented by sustainable revenue sources to reduce dependence on volatile commodity-related incomes and one-off tax revenues as seen in 2022.

Budget 2023 also highlights the latest measures that will be adopted by the banks to combat financial scams. This includes the migration from SMS one-time passwords (OTP) to a more secure authentication method for certain transactions, including fund transfers and payments, change of personal information and account settings. We also welcome the added spend under Budget 2023 to strengthen detection and reporting of cyber threats, including the building of cyber forensic capabilities.

We also support the continued emphasis to drive the ESG (environmental, social and governance) and climate change agenda under Budget 2023, which is a key agenda for the Malaysian financial sector. ABM members have already agreed on a set of seven broad ESG principles for the Malaysian banking industry. This includes the commitment to achieve net zero carbon emissions across the entire business and financed customer portfolio, incorporate ESG into governance and risk management, as well as the commitment to identify, mitigate and manage risks of modern slavery and human rights across the supply chain.

## Tan Sri Dr Teh Hong Piow

FOUNDER, CHAIRMAN EMERITUS, DIRECTOR  
AND ADVISER OF PUBLIC BANK BHD

Budget 2023's spirit of inclusiveness reflects the government's promise of leaving no one behind. The government's planned expenditure of a notably higher RM372.3 billion in 2023 with 37.2% allocated for programmes and projects under the social sector shows its resolve and commitment to reducing the income gap between the rakyat and the development gap among the states.

This will help ensure Malaysia progresses successfully and sustainably as a nation. Issues like food security and preparedness for natural disasters were also addressed, in addition to infrastructure spending covering healthcare and education, and digital infrastructure to address development and digital gaps.

We laud the government's renewed focus on sustainability-based initiatives in Budget 2023, with more emphasis given to enhancing green investments for the development of low-carbon, resilient and healthy urban environments. To this end, the government's higher expenditure of RM95 billion for development in 2023 will see allocations channelled to programmes and projects with high socioeconomic impact in line with the UN's Sustainable Development Goals.

## Mak Joon Nien

CEO OF STANDARD CHARTERED MALAYSIA

As a strong proponent of MSMEs (micro, small and medium enterprises) to get access to financial support, the financing facilities of SemarakNiaga amounting to RM45 billion and the provision of RM9 billion worth of guarantee schemes by Syarikat



## Bankers, tax experts weigh in on the budget

Jaminan Pembiayaan Perniagaan (SJPP) will aid them in their recovery in the aftermath of the pandemic. The tax reduction rate in taxable income for MSMEs to 15% will help alleviate their cash burdens in the current rising interest rate environment.

The introduction of more efficient tax processes such as e-invoicing and Tax Identification Number (TIN) will elevate the tax experience of and reduce the administrative burden for companies, particularly for smaller businesses. This new tax incentive framework will position Malaysia as an attractive investment destination in the light of global tax developments.

As facilitators of cross-border trade, the introduction of an investment fund with an allocation of more than RM1 billion is timely and will enhance Malaysia's ability to continue attracting quality investments.

**Datuk Ong Eng Bin**  
CEO OF OCBC BANK (MALAYSIA) BHD

It is heartening to see the needs of the lower-income and marginalised groups continue to be attended to through an emphasis on their well-being. The reduction in personal income tax for those in the RM50,000 to RM100,000 income category is welcome news, even as those in this group continue to face the hardships associated with the ever-rising cost of living.

I am also delighted to see that education continues to be given priority through the increase in budget allocation to RM55.6 billion and the numerous forward-looking initiatives contained in the related plans; the commitment to creating job opportunities for those struggling to find one; and the emphasis on women empowerment. We hope that these will pave the way for further responsiveness and an even more responsible posture while we attend to the underlying needs of the nation as a whole as we renew our journey towards becoming a developed and high-income nation.

**Mohd Rashid Mohamad**  
GROUP MANAGING DIRECTOR/CEO OF RHB  
BANKING GROUP

We welcome the expansionary nature of Budget 2023, which provides substantial support to ease the financial burdens of the targeted groups. This includes providing the much-needed social assistance while maintaining the government's commitment to ensuring fiscal sustainability via the review of public expenditure and a plan to have a more targeted subsidy plan aimed at vulnerable groups.

Budget 2023 will increase the momentum for economic recovery with emphasis on structural reforms to strengthen its economic resilience, measures to support the growth of SMEs and priority sectors, as well as improve people's well-being. Coupled with consumer spending-related measures and targeted tax cuts for certain groups, this would result in multiplier effects on economic activity.



**Datuk Sulaiman Mohd Tahir**  
GROUP CEO OF AMBANK GROUP

The initiative to reduce taxable income for micro SMEs certainly bodes well, particularly within this challenging environment where many businesses are still recovering from the pandemic and are straddled with cash flow issues.

To continue unlocking growth potential and transform as future-ready businesses, it is vital that SMEs embrace digitalisation, while tapping into sectors with strong prospects. In line with this, the government's establishment of a RM10 billion fund via Bank Negara Malaysia to support the automation and digitalisation of SMEs, as well as the tourism and agriculture sectors is indeed timely and necessary.

As ESG standards continue to gain prominence in the international arena, the RM1 billion allocation under the Low Carbon Transition Financing Fund for SMEs will help to strengthen business resilience and sustainability while contributing to Malaysia's aspirations towards net zero emissions.

**Datuk Wan Razly Wan Abdullah**  
PRESIDENT/GROUP CEO OF AFFIN BANK

We welcome the expansionary, well-balanced Budget 2023 aimed at sustaining the country's economic recovery momentum from the Covid-19 pandemic, against the backdrop of sluggish global economic growth and other external headwinds.

The more comprehensive and expanded direct cash assistance amounting to about RM10 billion under Bantuan Keluarga Malaysia and Jabatan Kebajikan Masyarakat will enable the targeted group to meet their most pressing needs according to their priorities, while creating multiplier effects in the local economy.

We also applaud the RM200 million allocation by the government which, among other things, will be utilised to promote and market our tourism industry — especially as international travel is expected to be on the rise with borders reopening across the globe. The growth of our tourism industry will, in turn, spur more demand for our local goods and services.

**Sim Kwang Gek**  
TAX LEADER OF DELOITTE MALAYSIA

The proposal to increase voluntary EPF (Employees Provident Fund) contribution from RM60,000 to RM100,000 a year would encourage Malaysians to build their retirement nest egg, especially for those who made early withdrawals during the pandemic.

To encourage voluntary EPF contribution, the scope for tax relief of RM3,000 for takaful or life insurance premiums will be expanded to include voluntary EPF contribution. In my view, this does not provide much incentive for Malaysians to go for voluntary EPF contribution as the RM3,000

tax relief is not adequate to cover payments for takaful or life insurance premiums and voluntary EPF contribution.

Based on the Household Income and Basic Amenities Survey 2019, the M40 in Malaysia earn between RM4,851 and RM10,970 per month, and represent 37.2% of the total household income in 2019. Taking the lowest income level for the M40 group at around RM58,000 per year, an 11% EPF contribution would come up to RM6,380.

The median income for the M40 group is around RM7,093 per month and an 11% EPF contribution would come up to RM9,363 per year. Hence, increasing the current tax relief for contributions to approved provident funds (including EPF contribution) from RM4,000 to RM10,000 would be more meaningful.

## Soh Lian Seng

HEAD OF TAX, KPMG MALAYSIA



Sustainability was certainly a key focus in the Budget 2023 proposals, with the government's intention to introduce a carbon tax to drive the environment, social and governance (ESG) agenda. Although no specific implementation date has been announced, the government is evaluating the carbon pricing mechanism. Already introduced in various developed countries, the carbon tax will serve as a new source of government revenue and is certainly a step in the right direction to assist our nation in achieving carbon neutrality by 2050.

The extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) by another two years to Dec 31, 2025, will also continue to incentivise and encourage businesses to accelerate the use of ESG-focused technology and embark on green projects.

As eagerly awaited, the government also announced that the implementation of the Qualified Domestic Minimum Top-Up Tax of 15% will commence in 2024, in line with international tax developments surrounding the Base Erosion Profit Shifting (BEPS) Pillar 2 initiatives. This will combat revenue leakages and profit-shifting activities and allow Malaysia the first right to charge top-up taxes on revenue from entities located in Malaysia that are paying low taxes.

## Jagdev Singh

PWC MALAYSIA TAX LEADER



The M40 group has not been overlooked in Budget 2023. Amid the slew of measures to alleviate the burden of the B40, the two percentage-point reduction in personal tax rates across the RM50,001 to RM100,000 tax brackets is a clear shout-out to the M40. This will result in immediate tax cash savings of up to RM1,000 for individuals within these tax brackets.

However, for individuals in the higher tax bracket, the reduction above is partially set off by the consolidation of the RM250,001 to RM400,000 tax bracket, which was previously taxed at 24.5%, with the RM400,001 to RM600,000 tax bracket at 25%. Nevertheless, there remains a net gain of RM250 for taxpayers with annual taxable income of RM600,001 and above.

There is also a mix of other broad-based and specific measures that would mainly benefit the M40 group and above. This includes an increase in the stamp duty exemption on SPAs and housing loan agreements for properties above RM500,000 to RM1 million from 50% to 75% until Dec 31, 2023, on top

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## Budget 2023 at a glance

- Under Bantuan Keluarga Malaysia (BKM), households earning less than RM2,500 per month, with at least five children, will receive RM2,500. Meanwhile, households with up to four children are eligible to receive BKM of between RM1,000 and RM2,000;
- Single senior citizens and singles will continue to receive BKM of RM600 and RM350 respectively, subject to certain income thresholds; and
- In 2023, the government will continue to provide additional assistance of RM500 to single parents with children. This means that single parents are eligible to receive a maximum assistance of RM3,000, versus RM2,500 this year.
- A 2% cut in the personal income tax rate for individuals with between RM50,001 and RM100,000 taxable income;
- For the chargeable income band of more than RM50,000 to RM70,000, the income tax rate is reduced from 13% to 11%;
- For the chargeable income band of more than RM70,000 to RM100,000, the income tax rate is reduced from 21% to 19%;
- The chargeable income band of more than RM250,000 to RM400,000 will be combined with the chargeable income band of more than RM400,000 to RM600,000 and subject to the tax rate of 25%; and
- A RM100 one-off payment to the e-wallet of those who earn below RM100,000 per year.
- Allocation of RM11 million to subsidise mammograms and cancer screening programmes for women;
- The SC will introduce a special training programme for women's skill levels to increase the number of women eligible to be appointed as board members;
- Women returning to work after a career break will be given tax exemptions for income received between 2023 and 2028.
- The government will provide hiring incentives under SOCSO to employers who hire youths aged 18 to 30 who have been unemployed for more than three months;
- To encourage more youth to venture into business, RM305 million financing facilities reserved for youths will be provided by SME Bank, TEKUN, MARA, BSN and Agrobank;
- To assist the B40, especially youths, to earn an income through services such as taxi, bus and e-hailing, the government has agreed to waive the fees of getting taxi, bus and e-hailing licences under MyPSV programme;
- To alleviate the burden of SOCSO payments by self-employed individuals, the government will bear 80% of the contribution value;
- The government will start to gradually make mandatory SKPS contributions for all self-employed sectors from next year;

of the existing full stamp duty exemption on properties RM500,000 and below, and extension of import duty and excise duty exemptions on imported completely built up (CBU) electric vehicles until Dec 31, 2024.

**Farah Rosley**

MALAYSIA TAX LEADER  
ERNST & YOUNG TAX CONSULTANTS



The key revenue-raising measures announced were the implementation of the global minimum tax of 15% in 2024, e-invoicing, a potential carbon tax and increased Customs enforcement.

Where relevant, appropriate transitional rules should be developed to ensure businesses have adequate time to study the impact and prepare for the implementation of such measures. It is also important that

- Voluntary EPF contribution limit raised to RM100,000 from RM60,000 per year;
- The scope of tax relief for life insurance premiums or life takaful contribution will be expanded by including voluntary contributions to EPF of up to RM3,000;
- Under the Hiring Incentive programme, SOCSO will provide RM150 million and is expected to provide career opportunities for more than 70,000 job seekers;
- The government will increase the MySTEP salary rate by RM100 to between RM1,500 and RM2,100;
- HRD Corp will provide RM750 million, for skills training to more than 800,000 workers to increase their productivity and enhance income opportunities;
- The SC, in collaboration with the Capital Market Development Fund, will implement the Capital Market Graduate Programme involving a fund of RM30 million to enhance the employability of 9,000 graduates for careers in the capital market.
- RM1.1 billion is provided for school maintenance and repair works, including for national schools, national-type Chinese schools, national-type Tamil schools and religious schools;
- Discounts ranging from 15% to 20% on the PTPTN loan repayment from Nov 1, 2022 to April 30, 2023.
- First-time homeowners to be given up to 75% stamp duty discounts for properties worth RM500,000 to RM1 million until end-2023;
- The allocation of RM367 million for the development of People's Housing Projects in urban areas, including new projects in Marang, Terengganu, and Arau, Perlis;
- To reduce travel costs, the government will continue the My50 monthly pass initiative;
- Overall, the Orang Asli community will be allocated a sum of RM305 million next year.
- Micro, small and medium enterprises' (MSME) tax rate on taxable income for the first RM100,000 will be reduced to 15% from 17% from 2023; and
- The government will give a one-off grant of RM1,000 to all registered MSMEs and registered taxi drivers.
- RM10 billion in loan funds will be made available through Bank Negara Malaysia to encourage the automation and digitisation of SMEs and support the food security agenda and the recovery of the tourism sector;
- RM200 million worth of funds will be allocated under Perbadanan Usahawan Nasional Bhd to provide financing facilities and entrepreneur development programmes for Bumiputera in the retail sector.
- Tourism Infrastructure Scheme amounting to RM1 billion to strengthen the recovery of the tourism sector;

these measures be balanced with initiatives to maintain Malaysia's attractiveness as an investment destination.

Malaysia will join more than 40 countries that have adopted or will be adopting e-invoicing. Together with the use of the TIN, this will reduce the shadow economy, increase compliance and expand the tax net. This reinforces other initiatives of the Inland Revenue Board (IRB) such as the Tax Corporate Governance Framework (TCGF), which promotes better governance and transparency, and cooperation between the IRB and taxpayers.

Budget 2023 also announced major climate change and ESG initiatives. It is very encouraging to see the government taking concrete and strategic steps in promoting the sustainability and ESG agenda. This builds on the proposed launch of the voluntary carbon market exchange by Bursa Malaysia by the end of 2022, which was announced earlier.

- The government proposes to expand the scope of existing tax incentives for individual investors in start-up companies through equity crowdfunding.
- The Malaysian Healthcare Travel Council's allocation of RM20 million to strengthen the nation's position as a destination for medical tourists who are seeking to undergo treatment in Malaysia;
- Allocation of RM10 million to spur Malaysia's ecotourism, which includes upgrades in Gua Kelam, Perlis; sustainable solid waste management efforts in Pulau Perhentian, Terengganu; and investment in ecotourism activities in Taman Pertanian Jubli Perak Sultan Ahmad Shah, Pahang;
- The government expects an increase in the number of foreign travellers in 2023 and plans to spend RM200 million towards promotion and marketing.
- The government plans to introduce the Fiscal Responsibility Act (FRA) to increase the transparency and accountability of the country's fiscal management.
- e-Invoicing will be implemented in phases from 2023 with the system development and pilot project involving selected taxpayers;
- From 2023, individuals and permanent residents who reach the age of 18 will be given a tax identification number automatically and it will be made mandatory for all stamping documents and instruments.
- Tighten the control of cigarette and liquor imports through legal landing places, including private jetties;
- Limit liquor transhipment activities to certain ports only; and
- Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex as a single exit point for the northern region.
- Next year, new hospitals, clinic and facilities will be built, along with the procurement of equipment, at a cost of nearly RM1.8 billion;
- Petronas plans to contribute RM2 billion to Kumpulan Wang Amanah Negara (KWAN) in 2023;
- The scope of income tax relief on personal, spouse, and child medical treatment expenses will be expanded to include dental check-ups and treatment of up to RM1,000 from the Year of Assessment 2023;
- To encourage people to stop smoking, the government plans to exempt import duty and sales tax on nicotine replacement therapy products.
- Government proposes to extend the tax incentives for BioNexus companies for applications received until end-2024;
- Allocation for Program Pembasman Kemiskinan Tegar Keluarga Malaysia increased to RM1 billion for 2023, from RM150 million for 2022, with RM250 million funding coming from the CSR programmes of GLCs.
- A National Scam Response Centre (NSRC) will begin operations this month and act on reports received to block criminal's accounts and take action against online criminals. It will be jointly managed by PDRM, Bank Negara Malaysia, the Malaysian Communications and Multimedia Commission and the National Anti-Financial Crime Centre in cooperation with various financial institutions; and
- Government will allocate CyberSecurity Malaysia with RM73 million to strengthen the monitoring, detection and reporting of cyber threats, including building the capability of cyber forensic systems.
- The Public-Private Partnership Master Plan 2023-2032 will be launched to introduce a new PPP model that is capable of driving infrastructure projects based on user pay such as highways and in-kind payment such as land swap. In this respect, the Infrastructure Facilitation Fund is provided RM250 million to support the implementation of high-impact

- PPP projects in the infrastructure, social and security sectors.
- GLC and GLIC committed to investing up to RM50 billion in 2023;
- The EPF will continue the development of Kwasa Damansara, creating more than 6,000 job opportunities with a total investment of RM3 billion until 2025;
- Khazanah Nasional will invest RM1 billion under Dana Impak in 2023;
- Ekulti Nasional Bhd (Ekuinas) preparing to invest RM100 million in Dana Asas for bumiputera companies with a minimum investment value of RM10 million for each investment;
- The Ministry of Finance will smoothen the investment standards and ensure that the sustainability agenda is considered in the GLC investment process
- An allocation of RM20 million to set up two new Urban Transformation Centres (UTCs) as well as maintain the existing UTCs;
- Towards modernising transactions with the government, the process of document stamping and stamp duty payment to the Inland Revenue Board will be entirely online through the stamp assessment and payment system by 2024.
- RM10 million will be provided to the Collaborative Research in Engineering, Science and Technology Centre (CREST) to develop applications based on radio frequency and Bluetooth technology for the automotive industry;
- To attract more aerospace companies and encourage the expansion of existing companies, income tax incentives and investment tax allowances will be extended until Dec 31, 2025. The government will also provide RM20 million in the form of a matching grant to support the development of aerospace components by local industry players.
- R&D activities are allocated RM364 million, which are led by the ministries of higher education, and science, technology and innovation.
- An allocation of RM2.6 billion to FELDA, FELCRA and RISDA as the main agencies that regulate commodity activities.
- Allocation of RM15 million to empower franchise entrepreneurs under the Vendor Capacity and Development Programme 2.0 and the Vendor Research and Commercialisation Grant 2.0.
- Allocation of RM10 million to encourage the purchase of locally made products through the Buy Malaysian Made Products Campaign.
- Tax deduction of up to 10% from aggregate income to individuals or corporations contributing to non-profit organisations focusing on sports development at the grassroots level.
- For 2023, RM2.55 billion is allocated with a focus on Sabah and Sarawak.
- Under the National Digital Infrastructure Plan (JENDELA) Phase 2 project, the government will provide 100% internet coverage in populated areas and fibre-optic coverage to nine million premises nationwide by 2025.
- Extension of import duty and excise duty exemptions on imported completely built-up electric vehicles until Dec 31, 2024;
- The government intends to introduce carbon tax to drive the environment, social and governance (ESG) agenda and is evaluating the carbon pricing mechanism.



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