



# What's in it for the M40?

BY INTAN FARHANA ZAINUL

The revised 2023 Budget made a special mention of the M40, a relative rarity given that most of the attention tends to centre on the B40 – the most vulnerable group, especially during an economic downturn.

But in his budget speech, Prime Minister Datuk Seri Anwar Ibrahim said: "The B40 group was often given various forms of assistance while the middle group, M40, showed their patience despite being squeezed by the gripping rise in the cost of living. As such, the government agreed to increase the disposable income of the M40 group through the reduction of individual income tax rates."

Taking a cue from the earlier Budget 2023 that was tabled last October by the previous administration, the revised budget has extended the two percentage point (ppt) tax reduction for those with a chargeable income of between RM35,000 and RM100,000 annually.

Those in the chargeable tax income bracket of between RM35,001 and RM50,000 will enjoy a reduced tax rate of 6%, from 8%; those in the RM50,001 to RM70,000 bracket will be taxed 11% from 13%; while those in the RM70,001 to RM100,000 bracket will be subject to a lower tax of 19%, from 21%.

The reduction in tax rates is expected to benefit some 2.4 million taxpayers, and provide them with RM1,300 in additional disposable income.

In total, Anwar said the initiative was expected to increase the people's income by RM900 million.

Under the original Budget 2023, a 2ppt tax rate cut was proposed for those in the RM50,000 to RM100,000 income bracket.

PwC Malaysia tax leader Jagdev Singh welcomes the tax cuts as they will provide

16 | CORPORATE  
TONG'S PORTFOLIO

## Will this government return the favour to the M40?

BY TONG KOOI ONG • ASIA ANALYTICS

Meeting cost of living and we bet everybody has something to say about it, it is likely to be plain that the price of almost everything is rising at a dizzying speed. The government of Prime Minister Dr Mahathir Mohamad has been quick to come to the rescue, acknowledging the rising cost of living its immediate priority. Too often though, discussions on lowering living costs, inevitably, centre on helping the lower-income households, the assumption being that the middle-income help but a little. In fact, these households are already receiving substantial cash transfers and aid benefits from various assistance programmes, public and private, many of them being aimed at those needing rebuilding or under price control. They likely do not pay any taxes. Additionally, a good percentage of them live in states where the cost of living is lower, compared with the major urban cities and towns (see Chart 1).

We would argue that the urban middle-income households (M40) are strug-

### Malaysian Portfolio

	QUANTITY	AVERAGE COST (RM)	COST OF INVESTMENT (RM)	CURRENT PRICE (RM)	CURRENT VALUE (RM)	GAIN/(LOSS) (RM)	GAIN/(LOSS) (%)
<b>SHARES HELD</b>							
CCK Consolidated Holdings Bhd	81,000	0.40	36,375.0	0.75	60,930.0	9,555.0	15.7
CEC Bhd	69,600	0.72	49,957.0	0.97	67,756.0	7,799.0	35.7
Mega Print Corporation Bhd	15,300	3.31	50,026.3	3.56	53,756.0	3,729.7	7.5
RICE Capital Bhd	28,900	1.49	43,378.6	1.84	53,760.0	9,999.4	23.2
Value Energy Bhd	257,300	0.34	89,940.0	0.23	82,333.0	32,399.0	84.3
<b>Total</b>			<b>243,242.9</b>		<b>316,306.0</b>	<b>73,063.1</b>	<b>30.0</b>
Cash balance (as a % of portfolio)				397,381.0		38,4	
Realized profit/(losses)				240,624.8			
Change since last update							
Portfolio						0.8	
FBMKLCI						(0.9)	
Portfolio returns since inception			<b>200,000.0</b>	<b>513,687.9</b>	<b>313,687.9</b>	<b>156.8</b>	
Portfolio returns (annualized)							16.9
Portfolio beta						1.1	
Beta-adjusted returns since inception						156.7	
PERFORMANCE COMPARISON	AT PORTFOLIO START	CURRENT	CHANGE (%)	RELATIVE PORTFOLIO OUTPERFORMANCE (%)			
FBMKLCI	1,629.7	1,485.5	(10.8)	195.7			

much-needed relief to the middle-income group, who have been left out in previous budgets although they are not spared the impact of soaring inflation.

"The costs for the government are partially offset by the increase in tax rates of between 0.5ppt and 2ppt for individuals in the RM100,001 to RM1,000,000 tax brackets as well as the general increase in wages in the last year which results in increased taxes. The increase in tax rates is expected to impact less than 150,000 taxpayers," he says in a statement.

Although the 2ppt cut results in lower tax collection, the impact should be minimal since the money saved would be contributed back to the economy in the form of higher consumption, says Sim Kwang Gek, country tax leader at Deloitte Malaysia.

Other tax reliefs announced by Anwar for the M40 include increasing the tax relief on medical expenses to RM10,000 from RM8,000. Moreover, there will be an extension in the scope of income tax relief for life insurance premiums or life-takaful contributions to cover voluntary contributions to the Employees Provident Fund of up to RM3,000, to encourage retirement savings.

Another initiative to encourage higher savings among the M40 group is the increase in the maximum individual limit for Amanah Saham Bumiputera (ASB) and Amanah Saham Bumiputera 2 (ASB2) to RM300,000 from RM200,000.

The size of Amanah Saham Malaysia's fund will also be expanded by RM5 billion.

Individuals with ASB savings of less than RM30,000 will receive a higher payout of 5.1% annually, while those with more than RM30,000 will receive 4.6% annually.

In addition, the government pledged to introduce a targeted subsidy mechanism that will benefit the lower-to-middle income group.

## New individual income tax structure under revised Budget 2023

Chargeable Income	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
More than 2,000,000	30	30

FLASHBACK!  
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