Praises and brickbats for retabled Budget 2023

Jagdev Singh
TAX LEADER AT PWC MALAYSIA

The retabled Budget 2023 takes a very structured approach to addressing the challenges the nation is expected to face in view of continuing global economic uncertainty. In his budget speech, the finance minister proposed measures to address these challenges. This is a shift from previous budgets and adopts an approach that is more strategic and reformist in nature in dealing with issues faced by the nation as a whole.

The proposal to introduce the Luxury Goods Tax (LGT) effective this year, the commitment to study the introduction of Capital Gains Tax (CGT) on disposal of non-listed shares from 2024 onwards and the 0.5 to 2 percentage-point increase in the personal tax rate for the tax bracket between RM100,001 and RM1 million should not come as a surprise. Considering the finance minister's response in parliament recently, the government will not introduce a broad-based consumption tax in this budget, [as such] the options available to the government to increase tax revenues are limited.

Nevertheless, the study on the potential introduction of CGT should be done on a measured basis to ensure that the benefits (namely, the amount of tax revenue generated) far outweigh the costs (impact on the investment ecosystem and the administrative burden on tax authorities and taxpayers).

Although we see a reduced allocation to subsidies of RM64 billion compared with RM80 billion in 2022 and a commitment to move towards a targeted subsidy scheme, the budget does not provide details as to how subsidy rationalisation will unfold, other than the already increased electricity tariff for large corporations. The reduction in subsidy expenditure seems to be primarily attributable to the lower oil prices (as compared to 2022), but we hope to see further details on the proposed targeted subsidy scheme in the coming months.

Soh Lian Seng
HEAD OF TAX AT KPMG IN MALAYSIA

Generally, gains on capital assets are not subject to tax, except for gains arising from the disposal of real property situated in Malaysia, which is subject to Real Property Gains Tax of up to 30%. In Asia, only Malaysia, Singapore and Hong Kong have yet to impose CGT— for the main reason that most of the income is derived from trading. A CGT will have wide implications, pending details of the mechanism that will be in place. If imposed, this will be a significant revenue stream for the government.

The extension of the incentive period for Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) until Dec 31, 2025 — plus an increase of the incentive period from three to five years for eligible green activities — is aligned with the government's continuous efforts to boost investments in green technology assets and activities that will bring Malaysia closer to realising our national carbon neutrality aspirations by 2050.

Sim Kwang Gek
TAX LEADER AT DELOITTE MALAYSIA

The proposal to introduce CGT on the disposal of unlisted shares from year 2024 should be carefully studied before implementation. Considerations such as impact on merger and acquisition (M & A) activities in Malaysia, Malaysia's attractiveness for in-bound M&A, the costs of doing business and tax treatment on losses arising from the disposal of unlisted shares must be given weight. It is also common for companies to undertake restructuring of its businesses for operational efficiency purposes, where share transfers may take place within the group. Will CGT be imposed on such transactions? It is important to assess the additional tax revenue that will be generated from the imposition of CGT vis-à-vis the downside effects on businesses.

Although the Budget 2023 speech was silent on the implementation of the Global Minimum Tax (GMT), reference was made to Touchpoints Belanjawan 2023, issued by the Ministry of Finance, where it was proposed that the GMT and Qualified Domestic Minimum Top Up Tax (QDMTT) would be introduced in 2024 as one of the ways to increase revenue. This is a welcome move as it would give Malaysia the right to collect the "top-up tax" that would otherwise be collected by other countries.

With an implementation timeline of 2024, companies that are affected by the GMT must prepare early to understand the impact of the tax on its business and financial position. In comparison with our regional peers, the Singapore government has decided to introduce the GMT in 2025 while Indonesia and Thailand are planning to implement it next year.

Tan Sri Soh Thian Lai
PRESIDENT OF THE FEDERATION OF MALAYSIAN MANUFACTURERS

FMM applauds the government for unveiling a caring budget with a larger allocation of RM388 billion by striking a fine balance between fiscal discipline and helping the rakyat to cope with the rising cost of living.

On the GST, FMM agrees with the assessment that the timing is not right for its reintroduction, given its inflationary implications and the likely burden on the lower-income groups. However, FMM urges the government to consider a reintroduction in 2024.

The industry commends the initiatives introduced to further empower the TVET (Technical and Vocational Education and Training) agenda via public-private partnership collaborations on pilot projects involving national TVET institutions with selected private sector companies, including government-linked companies. This initiative will be a fresh approach to driving the industry-led TVET agenda towards producing TVET graduates that meet the needs of the industry and improving graduate employability.

We are, however, disappointed that the government did not take up FMM's proposal for the government to channel the foreign worker levy towards the setting up of a National TVET Apprenticeship Fund and National Automation Fund as a two-pronged approach to reducing dependence on foreign workers.

Datuk Khairussaleh Ramli
GROUP PRESIDENT
AND CEO OF MALAYAN BANKING BHD

CHAIRMAN OF THE
ASSOCIATION OF BANKS IN MALAYSIA

At the outset, the retabled Budget 2023 commits to fiscal consolidation with a further reduction in the budget deficit-to-GDP ratio to 5% this year and to 3.2% by 2025. However, we believe the government will continue to remain steadfast in addressing issues like the high cost of living, better paying jobs and adequacy of retirement savings as well as implement measures for socio-economic uplifting of the poor and low-income group, tax cut for middle-income taxpayers, empower MSMEs (micro, small and medium enterprises), promote investment, boost tourism, enhance food security and improve basic public infrastructure and essential public services.

These are balanced with redistributive and progressive tax proposals such as increases in the tax rate of higher-income taxpayers, LGT, CGT on the disposal of unlisted shares and excise duties on vape products, coupled with strengthening governance and effectiveness of public spending.

We welcome the budget initiatives that are relevant to the financial sector, including tax incentives for ACE and LEAP Market listings and Bankruptcy Act reform, which will catalyse entrepreneurship, the renewed focus on Islamic finance and the proposed consumer credit act and monitoring authority to create a level regulatory playing field.

Equally important to note, the budget is not just about medium-term fiscal sustainability but also broader aspects of longer-term sustainability, including protecting biodiversity, preserving the environment, greening the economy and addressing climate change.

Datuk Abdul Rahman Ahmad
GROUP CEO OF CIMB GROUP HOLDINGS BHD

We are pleased to see the government's focus on driving sustainable economic growth through Malaysia Madani Budget 2023. As Malaysia's economy continues to recover, the prudent, targeted and inclusive approach taken provides an optimal balance in helping the rakyat and businesses alike to navigate the ongoing uncertain environment.

In driving economic recovery, we are encouraged to see financing support for start-ups as well as SMEs. The focus on sustainability as well as digitalisation will strengthen the growth and resilience of our SMEs, and ensure our economy is future-proofed.

We also welcome the focus on improving the vibrancy of Malaysia's capital market. In particular, we welcome the proposed tax cut on listing expenses for the ACE and LEAP Markets through 2025 and the listing expenses of technology-based companies on the Main Market of Bursa Malaysia, in addition to the easing of the secondary listing process for private market instruments to improve liquidity as well as the efficiency of price discovery. The introduction of dual class share listings is also an encouraging development in stimulating the listing of high-growth technology companies domestically.

Tan Sri Tay Ah Lek
MANAGING DIRECTOR
AND CEO OF PUBLIC BANK BHD

The coming year will continue to be fraught with challenges, as stubborn inflationary pressures and consequent monetary tightening globally will lead to weaker consumption spending and slower economic activity. To this end, however, all stakeholders of the nation must stand united as we work on driving Malaysia forward in this post-pandemic era towards a more sustainable period of stronger growth. We are most encouraged by the government's lead and refreshed vision in setting out a new course with this retabled Budget 2023 expenditure plan.

Equally important ... is the nation's future being safeguarded through the exercise of prudence over finances, and we are encouraged to note that the government is prioritising the lowering of its budget deficit on a path to sustainable growth with a lower expenditure bill of RM386.1 billion.

Government agencies' continued provision of financing and guarantees amounting to RM40 billion for the benefit of MSMEs, Bank Negara Malaysia's RM10 billion financing facility for SMEs and guarantees of up to RM20 billion provided by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will provide a much-needed lift to businesses.

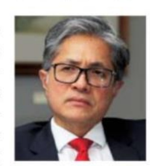
Mohd Rashid Mohamad
GROUP MANAGING DIRECTOR
AND CEO OF RHB BANK BHD

We welcome the expansionary nature of Budget 2023, which provides much needed support in addressing the high cost of living, further strengthening the social safety net as well as enhancing the MSME ecosystem. The government remains steadfast in balancing the need to safeguard the well-being of the people and the nation while ensuring a sound and sustainable fiscal position.

Budget 2023 will increase the momentum for economic recovery with emphasis on structural reforms to strengthen economic resilience, measures to support the growth of MSMEs and priority sectors coupled with assistance to targeted groups.

As a financial services group, RHB will continue to play a significant role in supporting the nation's economic recovery and development, in particular vulnerable segments of the community, the growth of MSMEs, as well as promote sustainable development towards supporting the country's transition to a low-carbon economy

Datuk Sulaiman Mohd Tahir
GROUP CEO OF AMMB HOLDINGS BHD (AMBANK)



At AmBank, SMEs are the bedrock of our customer base and we are encouraged by the government's efforts to support this crucial pillar of our economy specifically as a result of the RM10 billion loan funds to be provided by Bank Negara Malaysia to ease the financial burden of SMEs as well as SJPP to provide guarantees of up to RM20 billion, focusing on sectors such as high technology, agriculture and manufacturing. This will certainly empower local SMEs.

We also laud the government's call to strengthen Islamic financing, which will most certainly bode well for Malaysia as an Islamic financing hub. On this note, AmIslamic looks forward to building on this momentum.

The forward thinking aspirations of the budget, particularly with regards to ESG (environmental, social and governance) in the form of loan funds of up to RM2 billion to support sustainable technology for start-ups and promoting SMEs towards embracing low carbon practices demonstrate the government's tangible commitment to ESG and we hope for SMEs and GLCs (government-linked companies) to build on this positive trajectory.

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Mak Joon Nien

CEO OF STANDARD CHARTERED MALAYSIA BHD

Budget 2023 is well curated, recognising the delicate balance between fiscal discipline and maintaining growth momentum into 2023.

As facilitators of cross-border trade, we strongly support the government's mandate of Tun Razak Exchange as an international financial hub and the designation of a special financial zone within Iskandar Malaysia to attract quality investments and skilled workers. With our roots in trade banking in Malaysia dating back over a century, initiatives such as the expansion of the Penang International Airport and Subang Airport, development of a port in Sanglang, Perlis, and the construction of a main port in Carey Island will cement the country's position as a key trading hub in Asean.

As a financial institution, we're proud to align ourselves with the national agenda to transition to net zero by delivering sustainable finance solutions to where it matters most, taking the lead from Bank Negara Malaysia, which is providing up to RM2 billion in financing facilities to support sustainable tech start-ups and help SMEs incorporate low-carbon practices.

Farah Rosley

MALAYSIA TAX LEADER AT ERNST & YOUNG TAX CONSULTANTS SDN BHD

The retabled Budget 2023 was inspired by Prime Minister Datuk Seri Anwar Ibrahim's "Malaysia Madani" vision and is framed around the core values of Sustainability, Prosperity, Innovation, Respect, Trust and Compassion. The proposed measures comprise those that were proposed in the previous tabling of Budget 2023 as well as new measures that represent the government's ambitious and progressive approach to accelerating economic recovery, spearheading sustainable growth and fostering an inclusive society, to ensure no one is left behind.

In lieu of not reintroducing a broad-based consumption tax such as the Goods and Services Tax (GST), there were various measures proposed to increase tax collections, including the Voluntary Disclosure Programme, CGT on the disposal of unlisted shares by companies, albeit at a low tax rate, and excise duty on e-cigarettes and vapes, with 50% of the collection to be earmarked for the Ministry of Health to improve the quality of healthcare services.

Overall, the measures appear to be cohesive, comprehensive and inclusive, and lay the foundation for a more sustainable future. However, certain measures such as the potential CGT on the sale of unlisted shares should be studied in further detail to avoid unintended adverse implications. E