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Malaysia

Malaysian Budget 2022: Tax Highlights

2 November 2021

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Budget 2022

On 29 October 2021, the Minister of Finance YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz unveiled the Malaysian Budget 2022 ("**Budget**"), themed "*Keluarga Malaysia, Makmur Sejahtera*". As the nation recovers from the COVID-19 pandemic, the Budget builds upon three main focus areas: (i) *rakyat's* wellbeing; (ii) resilient businesses; and (iii) a prosperous and sustainable economy.

The Budget introduces proposals to complement the Twelfth Malaysia Plan (2021 - 2025) and formulates measures focused on achieving a comprehensive recovery and strengthening business resilience and the health system.

Although no major new taxes were proposed, some notable tax changes include the introduction of *Cukai Makmur*, a one-off tax for companies with chargeable income in excess of RM 100 million, and the removal of the current income tax exemption on foreign-sourced income received in Malaysia.

We set out below some of the key tax highlights of the Budget and our analysis on these proposals.

1. Income Tax

1.1. Imposition of Tax on Income Received from Outside Malaysia

Presently, foreign-sourced income of any person (aside from Malaysian resident companies carrying on the business of banking, insurance, or air or sea transport) that is received in Malaysia is exempted from income tax.

In a bid to ensure sustainable revenue, the Government has proposed the removal of this foreign-sourced income tax exemption. The proposal is intended to reflect the Government's commitment towards ensuring compliance with international rules and tax best practices.

Under the proposal, tax will be imposed on income derived by Malaysian residents from foreign sources and received in Malaysia, with effect from 1 January 2022.

Our thoughts:

The proposal to tax foreign-sourced income received in Malaysia follows the recent inclusion of Malaysia in the European Union's "Grey List"[1]. This proposal will help address the European Union's concerns about Malaysia having potentially harmful foreign-sourced income tax exemptions and any resultant double non-taxation.

The proposal, as it is, potentially applies to all Malaysian taxpayers regardless of whether they are individuals or corporations, their size and sectors. When designing and implementing this proposal, the Government will need to consider how to maintain the competitiveness of Malaysia's current business-friendly environment. It is hoped that the Government will engage in substantive consultations with all stakeholders and consider how to make a targeted and effective response to the European Union's specific concerns before finalising the scope and extent of this sustainable revenue measure.

[1] The "Grey List" is the Council of the European Union's list of jurisdictions that do not yet comply with all international tax standards but are committed to reform.

Such a measure may have significant repercussions on Malaysian tax residents, increasing their tax burdens and compliance obligations. Depending on the content of the legislative amendments, in the short-term, it may discourage Malaysian tax residents from remitting income back to Malaysia, which could be used to help spur the local economy. In the long run, it may discourage Malaysian tax residents from remitting income for purposes of re-investment or expansion of businesses, which would in turn help create more job opportunities and decrease the unemployment rate.

Although the publication of the Finance Bill is required to fully analyze the extent of this measure and its mechanisms, taxpayers would need to consider potential areas of concern such as the below:

(a) the definition of "received", i.e., at which point in time will income be considered "received" in Malaysia (assuming a remittance basis for taxation)?

(b) the type of foreign-sourced income that will be subject to Malaysian income tax, e.g., would there be any specific carve-outs depending on the nature of the income, active income, dividends, interest, royalties, etc. and if there are adequate safeguards to prevent harmful tax practices?

(c) whether the foreign-sourced income tax exemption will be abolished for companies, individuals, or both.

2. Personal Income Tax

2.1. Tax Relief for Social Security Organization (SOCSO) Contributions

To further incentivize SOCSO contributions by private sector employees, it is proposed that the tax relief limit for it be increased from RM 250 to RM 350, with effect from the Year of Assessment (YA) 2022. The scope of tax relief is also to be expanded to include Employment Insurance System contributions.

2.2. Tax Relief on Contributions to Employees Provident Fund (EPF)

The Government has proposed that the scope of tax relief (up to RM 4,000) for EPF contributors be expanded to include voluntary contributors including pensionable civil servants and gig economy participants, with effect from YA 2022.

Our thoughts:

The National Population and Family Development Board (LPPKN) stated earlier that Malaysia is expected to achieve ageing nation status by 2030, i.e., when 15% of its population is aged 60 and above. This status may be attained much earlier as a result of the COVID-19 pandemic, if citizens postpone or re-plan their pregnancies. The Budget proposal above is thus in line with the need to promote savings in preparation for old age.

2.3. Income Tax Relief on Medical Treatment Expenditure

In line with the Government's focus on the *rakyat's* health and wellbeing, it is proposed that the scope of individual income tax relief for full medical check-up expenses (up to RM 1,000) be expanded to cover the cost of mental health check-ups or consultation services from registered psychiatrists, clinical psychologists or counsellors, with effect from YA 2022.

2.4. Income Tax Exemption on Recognized E-Sports Tournament Prize Money

To acknowledge the achievements of Malaysian-born e-sport athletes, it is proposed that recognized e-sports tournament prize money be exempted from income tax.

> *Our thoughts:*
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> *It was reported that in 2019 alone, Malaysians spent approximate RM 2.7 billion on gaming. Although the Government has yet to announce when this exemption will take effect from or what qualifies as a "recognized" tournament, this is a welcomed proposal that will incentivize and hone our country's young talents.*

2.5. Extension of Personal Income Tax Incentives

The Budget unveils plans to extend existing personal income tax reliefs / incentives for the below:

Current Position	Extension
Individual income tax relief of up to RM 3,000 is allowed for a parent on fees paid to a registered child care center or kindergarten.	Relief period will be extended for 2 years, for YAs 2022 and 2023.
Special individual income tax relief of up to RM 2,500 on the purchase of mobile phone, computer and tablet - this relief is in addition to the lifestyle relief of up to RM 2,500.	Relief period will be extended for 1 year, until 31 December 2022
Income tax relief of up to RM 3,000 is provided for deferred annuity premium payment in the Private Retirement Scheme (PRS).	Relief period will be extended for 4 years, to be effective from YA 2022 until YA 2025.
Tax incentive at the rate of 0% income tax for up to 15 years is allowed for manufacturing and services companies that relocate their operations to Malaysia. A flat rate of 15% individual income tax is given to non-residents holding key positions (C-Suite) for 5 consecutive years − this tax incentive is limited to 5 non-resident individuals employed in each company and subject to the individual receiving a monthly salary of not less than RM 25,000 and being a Malaysian tax resident for each YA throughout the flat rate tax treatment.	The application deadline for non-residents' flat rate tax treatment will be extended for 1 year to include applications received by the Malaysian Investment and Development Authority (MIDA) until 31 December 2022.
Special relief for individual income tax of up to RM 1,000 is given for certain domestic tourism expenses.	Relief period will be extended to include expenses incurred from 1 January 2022 to 31 December 2022.

Minimum employee EPF contribution rate is reduced from 11% to 9%.	Period of reduced rate to be extended up to June 2022.

2.6. Expansion and Extension of Individual Income Tax Relief for Up-Skilling and Self-Enhancement Courses Fees

The COVID-19 crisis has led to a disruption in jobs and changes to working arrangements. To support Malaysians in acquiring new knowledge and enhancing skillsets, it is proposed that the individual income tax relief limit for fees in relation to up-skilling and self-enhancement courses (in any field recognized by the Department of Skills Development at the Ministry of Human Resources) be increased from up to RM 1,000 to up to RM 2,000 for YA 2022. It is also proposed that the relief period be extended to YA 2023.

In tandem with the above proposal, it is proposed that tax relief of up to RM 7,000 be provided to those who undertake approved courses with professional bodies.

3. Corporate Income Tax

3.1. Imposition of *Cukai Makmur*

As part of the Government's revenue sustainability measures, it is proposed that a one-off special tax known as *Cukai Makmur* be imposed on companies other than micro, small and medium enterprises (MSMEs) generating high income during the COVID-19 pandemic period.

The proposal is that *Cukai Makmur* be imposed for YA 2022, in the following manner:

(a) chargeable income of up to the first RM 100 million to be subject to 24% tax rate; and

(b) remaining chargeable income to be taxed at 33%.

Our thoughts:

This increased tax rate appears to be imposed on companies in all industry sectors, rather than any specific industry which may have benefited from the COVID-19 pandemic. The imposition of Cukai Makmur may help contribute to the Government's revenue and reduce its fiscal deficit in the short-term. However, Cukai Makmur may deter substantial foreign investments into Malaysia, if there are concerns over similar taxes being imposed in the future or extension of this tax to future years of assessment. Additionally, existing companies' may have their bottom lines impacted due to this increase in tax rate.

3.2. Extension of Period for which Unabsorbed Losses can be Carried Forward

Presently, unabsorbed business losses from YA 2019 can be carried forward for a maximum period of 7 consecutive YAs and the balance, if any, is to be disregarded. The Budget proposed that this period be extended to a maximum of 10 consecutive YAs.

Unutilized accumulated losses up to YA 2018 may be carried forward until YA 2025. It is proposed that unutilized accumulated losses up to YA 2018 be allowed to be carried forward until YA 2028.

These proposals will take retrospective effect and be effective from YA 2019.

3.3. Deferment of Income Tax Instalment Payments for Micro, Small and Medium Enterprises

To cushion the negative consequences of the COVID-19 pandemic faced by MSME entrepreneurs, the Budget proposed that MSMEs be allowed a 6-month deferment of income tax instalment payments until 30 June 2022.

3.4. Amendment of Estimated Income Tax Payable

To further assist businesses, it is proposed that all businesses be allowed to revise their estimated income tax payable on the 11th month of the basis period before 31 October 2022.

3.5. Tax Relief on Costs Associated with Self-Funded Booster Vaccines

It is proposed that individual tax relief and tax deductions for employers be given for costs connected to the adoption of self-funded booster vaccines.

4. Incentives / Reliefs

4.1. Expansion of Scope for Green Technology Tax Incentives

In support of the Sustainable Development Goals 2030, the Budget proposed that the scope on the purchase of qualifying green assets and services be expanded to include Rainwater Harvesting System (RHS) projects (which must be verified by the Malaysian Green Technology Corporation) for tax incentives as follows:

(a) Green Investment Tax Allowance − investment tax allowance of 100% on capital expenditure for qualifying RHS activities, which may be set-off against up to 70% of statutory income; or

(b) Green Investment Tax Exemption − income tax exemption of 70% of statutory income for qualifying RHS services activities.

These incentives are premised on the condition that applications must be received by MIDA during the period from 1 January 2022 to 31 December 2023.

4.2. Tax Incentives to Support the Development of the Electric Vehicle (EV) Industry

It is proposed that tax incentives for EVs, which include passenger vehicles, commercial vehicles and electric motorcycles, be given as follows:

Incentives	Incentive Period
Full import duty exemption on components for locally assembled EV.	From 1 January 2022 to 31 December 2025.
Full excise duty exemption and sales tax on Completely-Knocked-Down (CKD) EV.	From 1 January 2022 to 31 December 2025.

Full import duty and excise duty exemption on imported Completely Built-Up (CBU) EV.	From 1 January 2022 to 31 December 2023.
Individual income tax relief of up to RM 2,500 on the cost of installation, rental, purchasing including hire-purchase equipment or subscription charges for EV charging facilities.	YAs 2022 and 2023.

The Budget also alluded to road tax exemptions of up to 100% to be given to the EV owners.

Our thoughts:

In the Southeast Asian region, Malaysia has long been recognized as a leading automotive manufacturing hub. The automotive industry contributes approximately RM 48.6 billion to the GDP of Malaysia, and it employs a workforce of over 244,000 employees.

In respect of the EV ecosystem, Malaysia does not fall far behind with existing Lithium-Ion battery plants and semiconductor incumbents here. The proposed tax incentives for EVs are in line with increasing global investments into the EV industry and would hopefully create a new market demand for EVs locally. Since the scope of the proposed tax incentives extends to components for locally assembled EVs as well as CKD EVs, it represents an opportunity for businesses in the EV industry to set up manufacturing or assembly plants in Malaysia and widen their influence in the Southeast Asian region.

4.3. Tax Incentives for Late-Life Assets (LLA) Project for Upstream Petroleum Industry

The Budget proposed that the following tax incentives be provided in relation to LLA Production Sharing Contracts awarded between 1 January 2020 and 31 December 2029:

(a) petroleum income tax rate to be taxed at 25%.

(b) Accelerated Capital Allowance within 2 years.

(c) losses from decommissioning activities to be carried back and set-off against income for 2 consecutive immediate preceding YAs, with unabsorbed carry back losses to be disregarded.

(d) petroleum products to be given export duty exemption.

4.4. Tax Incentives for the Digital Ecosystem Acceleration Scheme (DESAC)

It is proposed that tax incentives for activities under DESAC be given as follows:

(a) Digital Technology Provider − income tax rate of 0% to 10% for up to 10 years for new companies, and tax rate of 10% for up to 10 years for existing companies diversifying in new service activities or new service segments.

(b) Digital Infrastructure Provider − 100% investment tax allowance on capital expenditure for qualifying activities for up to 10 years, which may be set-off against up to 100% of statutory income.

These incentives are applicable for applications received by MIDA from 30 October 2021 to 31 December 2025.

4.5. Income Tax Exemption for Social Enterprises

In line with the increased focus on environmental, social and governance (ESG) matters and to support social enterprises in their fundraising efforts, the Budget proposed that an income tax exemption be granted on all income received by an accredited social enterprise for up to 3 YAs, based on the validity period of the social enterprise accreditation.

This exemption will be available where the application for tax exemption is received by the Ministry of Finance during the period from 1 January 2022 to 31 December 2023, and where the application for accreditation is received by Yayasan Hasanah within the same period.

4.6. Incentives for Employment of Malaysians Not Actively Employed, Orang Asli, Disabled, Ex-Convicts, Women who Return to Workforce

The Budget proposed that hiring incentives via the *JaminKerja* initiative be continued with a target of 300,000 people and an allocation of RM 2 billion. With this initiative, incentives will be provided to employers hiring:

(a) Malaysians who have not been actively employed;

(b) Orang Asli;

(c) the disabled;

(d) ex-convicts;

(e) women who have been unemployed for more than 365 days;

(f) single mothers; and

(g) housewives.

4.7. Extension of Tax Incentives / Reliefs

It is proposed that the incentive / relief period currently available be extended, as follows:

Current Position	**Extension**
Special tax deduction equivalent to the amount of the rental reduction until December 2021 to be given to owners of buildings or business premises who provide rental reduction or relief to tenants (of at least 30% from the original rental rate).	Incentive period will be extended for another 6 months, to include rental reductions in January 2022 until June 2022.
Tax deduction of up to RM 300,000 to be given for the cost of renovation and refurbishment of business premises.	Incentive period will be extended until 31 December 2022.
Tax deduction of up to RM 50,000 is provided for manufacturing and manufacturing-related service companies registered under Safe@Work on rental expenses of premises used for	Incentive period will be extended for 1 year, for rental

employees' accommodation in accordance with the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990.	expenses incurred until 31 December 2022.
Income tax rebate of up to RM 20,000 is given to new MSMEs established by 31 December 2021, for each YA for the first 3 YAs subject to certain conditions.	To include new MSMEs established and in operation not later than 31 December 2022.
Additional Reinvestment Allowance (RA) of 3 years is given to a company that has exhausted its RA and Special RA (for companies reinvesting for the purpose of expansion, modernization, automation or diversification in manufacturing and selected agriculture activities), until YA 2022.	Additional RA provided to be extended for 2 years, until YA 2024.
50% income tax exemption on statutory income is given to organizers of the following activities, until YA 2022: (a) arts and cultural activities approved by the Ministry of Tourism, Arts and Culture; and (b) international sports and recreational competitions approved by the Ministry of Youth and Sports.	Incentive period will be extended for 3 years, until YA 2025.
Accelerated Capital Allowance (ACA) with an initial allowance of 20% and an annual allowance of 40% is claimable on capital expenditure incurred on purchasing a new locally assembled excursion bus, until YA 2021.	Incentive period will be extended for 3 years, until YA 2024

4.8. Expansion and Extension of Tax Incentives for Anchor Companies under the Vendor Development Program (VDP)

First introduced in Budget 2014, the VDP aims to develop local Bumiputera vendors among MSMEs. In line with this objective, double tax deductions are given to qualifying anchor companies for the below operating expenses:

(a) costs of product development, research and development, innovation and quality improvement;

(b) costs of improvement on vendor company capabilities; and

(c) costs of vendor skills training, capacity building, lean management system and financial management system.

To qualify for this tax incentive, anchor companies must sign a Memorandum of Understanding (MoU) with the Ministry of International Trade and Industry or Ministry of Entrepreneur Development and Cooperatives (MEDAC) within a certain period. It is proposed that this period be extended to 31 December 2025.

Further, in a bid to entice further development of local vendors, the Budget proposed that the deductions be increased from up to RM 300,000 to up to RM 500,000 per YA.

4.9. Expansion and Extension of Tax Incentives for Scholarship

Presently, tax deductions are given to companies that provide scholarship to Diploma, Bachelor's degree, Master's degree and Doctorate degree students.

It is proposed that the scope of qualifying studies for double tax deduction be expanded to technical and vocational studies.

This tax incentive is to be extended for 4 years, to YA 2025.

4.10. Expansion and Extension of Tax Incentive for Structured Internship Program (SIP)

The current tax incentive for SIP allows for double deduction to be given on qualifying expenditure incurred by companies that run certain SIPs approved by Talent Corporation Malaysia Berhad.

The Budget proposed that the tax incentive be expanded to include students at the academic levels of Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2, and be extended for 4 years, until YA 2025.

5. Stamp Duty Updates

5.1. Stamp Duty Exemption on Loan/Financing Agreements for Peer-To-Peer (P2P) Financing

Presently, loan/financing agreements between MSMEs and investors for fundraising via the online P2P platform is subject to stamp duty at a rate between 0.05% to 0.50%.

To lower financing cost and further assist MSMEs in accessing alternative financing, it is proposed that 100% stamp duty exemption be given on P2P loan/financing agreements between MSMEs and investors for 5 years. Crucially, this exemption is only applicable to P2P financing made through P2P financing platforms registered and recognized by the Securities Commission of Malaysia, and where the P2P loan/financing agreement is executed during the period from 1 January 2022 to 31 December 2026.

5.2. Increase in Stamp Duty on Contract Notes for the Trading of Listed Shares

It is proposed that the current rate of stamp duty on contract notes for the trading of listed shares on Bursa Malaysia be increased from 0.1% to 0.15% (which is equivalent to RM 1.50 for every RM 1,000) and that the existing stamp duty cap of RM 200 for each related contract note be abolished, with effect from 1 January 2022.

Our thoughts:

This amendment, if implemented without a cap or exemptions, may result in significant increases in trading costs for institutional investors / individuals carrying out share transactions of a large nature.

Interestingly, the proposed service tax exemption on brokerage services related to the trading of listed shares (discussed further at Paragraph 7.3 below) would instead encourage trading. When analyzing these *two proposals jointly, it may be the case that the Government's intention is to encourage trading activities of smaller retail investors but at the same time, increase revenues by removing the RM 200 stamp duty cap, which will affect larger institutional investors / wealthier individuals.*

5.3. Stamp Duty Exemption on Purchase of Insurance Policies or Takaful Certificates with Small Premium / Annual Contribution Value

Currently, stamp duty exemption is given on the purchase of insurance policies or takaful certificates for *Produk Perlindungan Tenang* with an annual premium or contribution value not exceeding RM 100. The Budget proposed that this limit be increased from RM 100 to RM 150.

Further, it is proposed that stamp duty exemption be given on the purchase of other insurance policies or takaful certificates[2] with an annual premium or contribution value not exceeding RM 150 for individuals, and RM 250 for MSMEs.

It is proposed that these stamp duty exemptions be available for insurance policies or takaful certificates issued during the period from 1 January 2022 to 31 December 2025.

5.4. Stamp Duty Extensions (Exemptions on Restructuring or Rescheduling Loan / Financing Agreements and Instruments related to Merger and Acquisition)

The Budget also proposed that certain stamp duty exemptions be extended:

Current Position	Extension
100% stamp duty exemption is provided on the restructuring or rescheduling of loan/financing agreements executed during the period from 1 March 2020 to 31 December 2021 subject to certain conditions.	Exemption period will be extended for 1 year, for qualifying agreements executed during the period from 1 January 2022 to 31 December 2022.
Stamp duty exemption to be given for MSMEs that carry out a merger or acquisition scheme, on the following documents: (a) contracts or agreements for the sale or lease of property; (b) instrument of transfer and MoU; (c) loan or financing agreements; and (d) first rental agreement.	Exemption period will be extended for 1 year, for merger or acquisition applications received by MEDAC during the period from 1 July 2021 to 30 June 2022 and instruments executed until 31 December 2022.

[2] Insurance policies or takaful certificates given this stamp duty exemption are Fire Insurance, Fire Business Interruption Insurance, Personal Accident Insurance, Travel Insurance, Liability Insurance and Engineering Insurance.

6. Real Property Gains Tax (RPGT)

6.1. Review of RPGT Rate for Citizens, Permanent Residents and Persons Other than a Company

To relief the financial burden of individual citizens, permanent residents and persons other than a company, the government proposed that the RPGT rate on gains from the disposal of real property and shares in a real property company in the 6th year and onwards be reduced from 5% to 0%, with effect from 1 January 2022.

7. Indirect Tax Updates

7.1. Imposition of Sales Tax on Low Value Goods (LVG)

The Budget alluded to the imposition of sales tax on LVG (goods not exceeding RM 500 from abroad) sold online and sent to consumers in Malaysia via air courier service. These were previously exempted.

A new provision is to be introduced in the Sales Tax Act 2018, which will compel sellers from Malaysia or abroad who sell LVG which are taxable goods, to consumers in Malaysia to register and charge sales tax, with effect from 1 January 2023.

7.2. Imposition of Service Tax on Goods Delivery Services

To streamline the service tax treatment of courier and goods delivery services, the Budget proposed that service tax be imposed on goods delivery services provided by service providers (including e-commerce platforms), with exceptions provided for food and beverages delivery services and logistic services. This proposed service tax will be effective from 1 July 2022.

Our thoughts:

Imposing service tax on goods delivery services amidst the rise in reliance on online delivery would aid in increasing Government revenue, but may be perceived as being contrary to the Government's focus on the rakyat's wellbeing. Given that the COVID-19 pandemic is still ongoing, the usage of online purchases should be encouraged in order to minimize physical contact.

At this stage, the precise definition of "logistic services" remains to be determined. The Government will need to consider the proposed scope of the legislative amendment and understand the potential effects it will have on the Malaysian economy prior to finalizing it.

7.3. Service Tax Exemption on Brokerage Services Related to the Trading of Listed Shares

It is proposed that service tax exemption be granted to both providers and recipients of brokerage services in relation to the trading of shares listed on Bursa Malaysia, with effect from 1 January 2022.

7.4. Introduction of Special Voluntary Disclosure Program (SVDP)

The Budget proposed that an indirect tax SVDP be introduced by the Royal Malaysian Customs Department (RMCD) in phases, with a 100% penalty remission incentive for the first phase and a 50% penalty remission for the second phase. It was also suggested that tax remission be considered on a case-by-case basis.

Our thoughts:

It remains to be seen if the proposed tax remission will be wide-ranging or applicable to selected cases only. It is hoped that there will be more details soon about the type of cases that may be eligible for tax remission, as well as the scope and effective date of the SVDP.

Based on the example of the direct tax SVDP that was introduced under the Malaysian Budget 2019, the success of this indirect tax SVDP will be largely dependent on whether RMCD is able to provide a guarantee that no further audits on the same issues will be carried out on taxpayers who participate in this program.

7.5. Indirect Tax Extensions (Tourism Tax, Entertainment Duty, Sales Tax on Cars)

It is proposed that certain exemptions from indirect tax be extended, as follows:

Current Position	Extension
Tourism tax exemption on accommodation premises registered under Tourism Tax Act 2017 is granted until 31 December 2021.	Exemption period will be extended for 1 year, until 31 December 2022.
Entertainment duty exemption is provided for admission fees to entertainment venues, e.g., cinema, theme parks, stage performances, sports events and competitions held in the Federal Territories, until 31 December 2021.	Exemption period will be extended for 1 year, until 31 December 2022.
Sales tax exemption as follows is given on passenger cars (including SUV and MPV), until 31 December 2021: (a) 100% sales tax exemption on CKD passenger cars; and (b) 50% sales tax exemption on new and used imported CBUs.	Exemption period will be extended for 6 months, until 30 June 2022.

8. Others

8.1. Increase of Windfall Profit Levy − Crude Palm Oil

It is proposed that the threshold of Crude Palm Oil prices for imposition of windfall profit levy be increased to RM 3,000 per metric ton for Peninsular Malaysia (currently RM 2,500) and RM 3,500 per metric ton for Sabah and Sarawak (currently RM 3,000).

Further, the levy rate for Sabah and Sarawak is proposed to be increased from 1.5% to 3.0%, to be streamlined with the rate for Peninsular Malaysia.

This proposed increase will take effect from 1 January 2022.

8.2. Expansion of Excise Duty on Liquid or Gel Used for Electronic Cigarettes and Vape

The Budget proposed that the scope of excise duty be expanded to include liquid or gel containing nicotine used for electronic cigarettes and vape, with the rate to be set at RM 1.20 per milliliter.

Further, excise duty for non-nicotine liquid or gel will face a threefold increase, from RM 0.40 per milliliter to RM 1.20 per milliliter. This proposal would effectively impose the same excise duty rate for both non-nicotine and nicotine containing liquid or gel.

The proposed expansion of excise duty will be effective from 1 January 2022.

8.3. Expansion of Scope for Excise Duty on Sugar Sweetened Beverages

In an effort to promote a healthy lifestyle, the Budget also proposed that the imposition of excise duty for sugar sweetened beverages be expanded to include pre-mixed preparations of chocolate or cocoa based, malt, coffee and tea, such as 2 in 1 or 3 in 1 pre-mixed beverages.

It was revealed that excise duty will be levied on pre-mixed preparations products categorized under tariff codes 18.06, 19.01 and 21.01 at the rate of RM 0.47 per 100g. This will be based on a prescribed threshold of sugar content, as follows:

Tariff Code	Product Description	Sugar Content Threshold
18.06	Mixed chocolate or cocoa preparations	More than 33.3g per 100g
19.01	Mixed malt preparations	
21.01	Pre-mixed coffee and mixed tea preparations	

This expansion of excise duty will be effective from 1 April 2022.

8.4. Motor Vehicle Road Tax Owned by a Disabled Individual

The Budget proposed that for the year 2022, the Government bears the full cost of Motor Vehicle Road Tax on all private vehicles owned by the disabled.

8.5. Voluntary Carbon Market (VCM) Initiative

In line with the Prime Minister of Malaysia Dato' Sri Ismail Sabri Yaakob's expression of commitment to make Malaysia a carbon neutral country as early as 2050, it is proposed that the VCM initiative be launched under the advocacy of Bursa Malaysia. The VCM will act as a voluntary platform for carbon credit trading between green asset owners and decarbonizing entities.

9. Tax Administration

9.1. Tax Compliance Certificate (TCC)

It is proposed that a TCC issued by the Inland Revenue Board of Malaysia be made a pre-requisite for a company participating in government procurements, beginning 1 January 2023.

9.2. Implementation of Tax Identification Number (TIN)

The Government in its previous Budget 2020 proposed that corporate entities and Malaysians above the age of 18 be assigned a TIN. This year, the Minister of Finance highlighted that TIN will be implemented commencing from year 2022, in tandem with the nation's efforts to broaden the income tax base.

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