TAX FLASH

OCTOBER 2025 (SPECIAL EDITION)

2026 Budget Highlights

Executive Summary

Budget 2026, the first of the 13th Malaysia Plan (13MP) and the fourth under the *Ekonomi MADANI* framework tabled by our honourable Prime Minister and Finance Minister, Dato' Seri Anwar Ibrahim, underscores Malaysia's commitment to fiscal discipline, inclusive development and long-term resilience.

The Budget builds on the following three strategic pillars of *Ekonomi MADANI* while setting the stage for the first year under the 13MP:-

- **Driving Reform and Good Governance** – Strengthening institutional integrity through key legislative reforms such as the Government Procurement Act and the Ombudsman Act, enhancing fiscal transparency, and leveraging digitalisation and AI tools to modernise governance;

- **Raising the Ceiling** – Accelerating investment in high-growth, high-value sectors such as semiconductors, renewable energy, the digital economy and AI-driven services while supporting SMEs and streamlining investment incentives to spur long-term competitiveness; and

- **Raising the Floor of the *Rakyat*'s Living Standards** – Enhancing quality of life through targeted subsidies, expanded access to education and healthcare and improved rural infrastructure and connectivity.

- Moore Malaysia
- Moore Global
- Inland Revenue Board
- Budget Speech
- Appendices
- Tax Snapshot

Expansion of Tax Exemption to Encourage Overseas Investments and Repatriation of Funds

To foster greater overseas investments by Malaysian resident companies and promote the repatriation of foreign-sourced income, the Government proposes to expand the scope of the current tax exemption on dividends and gains from disposal of foreign capital assets. Under the proposal, the exemption on dividends and gains from the disposal of foreign capital assets, which currently applies to resident companies and LLPs will be extended to include co-operative societies and trust bodies. In addition, resident companies, LLPs, co-operative societies and trust bodies as well as unit trusts will be granted a further four-year tax exemption on such foreign-sourced income.

The early announcement of this proposal demonstrates the Government's effort to provide clarity and certainty to investors, enabling better forward planning and reinforcing confidence in Malaysia's tax and investment framework. Separately, it is worth noting that the foreign-sourced income exemption for individuals was extended until 31st December 2026 in the last year budget proposals. This contrast highlights the Government's targeted and calibrated approach to tax incentives, balancing the encouragement of inbound remittances with long-term fiscal sustainability.

Carbon Tax on Iron, Steel and Energy Industries

Businesses should prepare for the roll-out of a carbon tax commencing in 2026, with initial coverage expected to capture the iron, steel and energy value chains. In the near term, companies ought to establish measurement, reporting and verification processes, baseline their emissions, model potential rate impacts across supply contracts and consider change-in-law or price-adjustment clauses.

Proposed Enhancements to Stamp Duty Framework and Employment Cost Relief

As part of efforts to improve the stamp duty regime and address affordability in the property market, the Government proposes to increase the fixed stamp duty rate on instruments of transfer of residential properties executed by non-citizen individuals (excluding Malaysian permanent residents) and foreign companies from 4% to 8%. This measure is intended to curb speculative property acquisitions and ensure better access for local homebuyers.

Additionally, to alleviate hiring costs and encourage formal employment, the wage threshold for stamp duty exemption on employment contracts will be increased from RM300 to RM3,000, effective for contracts executed from 1st January 2026. This initiative will particularly benefit employers engaged in labour-intensive sectors.

Visit Malaysia Year 2026

In conjunction with Visit Malaysia Year 2026, the Government proposes a series of tax incentives to stimulate inbound tourism and support related sectors. 100% tax exemption will be granted to tour operators on incremental income derived from inbound tourism packages while tourism project operators registered with MOTAC will be eligible for a tax deduction of up to RM500,000 for renovation and refurbishment expenses incurred for business purposes.

Meetings, Incentives, Conferences, and Exhibitions organisers verified by MOTAC will enjoy full income tax exemption provided that they meet the minimum foreign participant threshold, with the incentive extended for two years. Similarly, tax incentives for arts, cultural, tourism, sports, and recreational events will also be broadened in scope and extended for an additional two years, promoting a more vibrant and inclusive event ecosystem.

Reinforcing Sin Taxes to Promote Health and Wellness

In alignment with Malaysia's commitment as a signatory to the World Health Organisation ["WHO"] Framework Convention on Tobacco Control ["FCTC"] and its broader efforts to foster a healthier society, the Government proposes a series of tax measures targeting smoking and alcohol consumption.

A phased increase in excise duties on tobacco products will be implemented. This includes a rise in cigarette prices and incremental excise duty hikes on cigars, cheroots, cigarillos and heated tobacco products. To strengthen smoking cessation efforts under initiatives such as mQuit and the Lung Health Initiative, the import duty and sales tax exemptions on nicotine gum and patches will be extended until 31st December 2027. The scope of exemption will also be expanded to include nicotine mist and lozenges, effective from 11th October 2025 to 31st December 2027. Additionally, as part of efforts to curb excessive alcohol consumption, the excise duty on alcoholic beverages will be increased by 10%.

The incremental proceeds collected from these "Sin Taxes" will be channelled to the Ministry of Health, including to support lung health initiatives and the treatment of diabetes and cardiovascular diseases. These measures reflect the Government's dual objective of discouraging harmful consumption habits while reducing the long-term healthcare burden on the nation.

The key proposals outlined in the 2026 Budget are summarised into the following broad categories:-

A. Income Tax – Changes Affecting Individuals
B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
C. Investment Incentives
D. Stamp Duty
E. Sales and Service and Indirect Taxes
F. Others

Please note that due to the unavailability of the Finance Bill 2025 at the time of publication, we will update you on any further development affecting the above categories in due course.

Legend

ACA	=	Accelerated Capital Allowance
DGIR	=	Director General of Inland Revenue
DGRMC	=	Director General of Royal Malaysian Customs
CGT	=	Capital Gains Tax
EPF	=	Employees Provident Fund
ESG	=	Environmental, Social and Governance
EV	=	Electric Vehicle
GLC	=	Government-Linked Companies
GLIC	=	Government-Linked Investment Companies
HRD Corp	=	Human Resources Development Corporation
IRB	=	Inland Revenue Board
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
LBATA 1990	=	Labuan Business Activity Tax Act 1990
LLP	=	Limited Liability Partnership
MIDA	=	Malaysian Investment Development Authority
MITI	=	Ministry of Investment, Trade and Industry
MOF	=	Ministry of Finance
MOTEC	=	Ministry of Tourism, Arts and Culture
MSME	=	Micro, Small and Medium Enterprise
PIA 1986	=	Promotion of Investments Act 1986
PS	=	Pioneer Status
PR	=	Public Ruling
RA	=	Reinvestment Allowance
R&D	=	Research and development
REITs	=	Real Estate Investment Trusts

RMCD	=	Royal Malaysian Customs Department
RPGT	=	Real Property Gains Tax
RPGT Act 1976	=	Real Property Gains Tax Act 1976
SA 1949	=	Stamp Act 1949
SC	=	Securities Commission
SCIT	=	Special Commissioners of Income Tax
SME	=	Small and Medium Enterprise
SOCSO	=	Social Security Organisation
SRI	=	Sustainable Responsible Investment
TP	=	Transfer Pricing
WT	=	Withholding Tax
YA	=	Year of Assessment

A. Income Tax – Changes Affecting Individuals

1. Expansion of Scope of Tax Relief for Medical Expenses for Self, Spouse and Child

- Currently, tax relief of up to RM10,000 is given for medical treatment expenses incurred:-
  - for self/spouse/child on:-
    - serious disease;
    - vaccination (limited to RM1,000);
    - complete medical examination, mental health examination and purchase of self-testing medical device (limited to RM1,000); and
    - dental examination and treatment expenses (limited to RM1,000)
  - for self/spouse on:-
    - fertility treatment
  - for child on:-
    - screening for detection, early intervention programmes and continuous rehabilitation treatment for children with learning disabilities (limited to RM6,000)
- It is proposed that:-
  - the types of vaccines eligible for relief be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, MOH
  - relief for assessment and diagnosis, early intervention programmes and rehabilitation treatment for children aged 18 years and below with learning disabilities such as autism, Attention Deficit Hyperactivity Disorder, Global Developmental Delay, intellectual disability, down syndrome and specific learning disabilities be increased from RM6,000 to RM10,000
- Effective YA 2026

2. Review of Tax Relief for Fees Paid to Child Care Centres and Kindergartens

- Currently, tax relief of up to RM3,000 (comprising of RM2,000 permanent relief and RM1,000 time bound relief available up to YA 2027) is given to either parent of a child on fees paid to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 for children aged 6 and below
- It is proposed that the time bound tax relief of RM1,000 be made permanent and combined with the existing permanent relief of RM2,000, resulting in a total claimable tax relief of RM3,000
- It is further proposed that the scope of tax relief for eligible child care premises be expanded to include daily care centres or after-school transit centre registered with the Department of Social Welfare for children aged 12 and below
- Effective YA 2026

3. Tax Relief on Expenditure Incurred in Relation to Domestic Tourism and Cultural Programmes

- Previously, a tax relief of up to RM1,000 was given to individuals from the YA 2020 to YA 2022 for the following expenses:-
  - accommodation at premises registered with MOTAC;
  - entrance fees to tourist attractions; and
  - purchase of domestic tourism packages through licensed travel agents registered with MOTAC
- In conjunction with Visit Malaysia Year 2026, it is proposed that relief of up to RM1,000 be given to individuals on the following entrance fees:-
  - tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks; and
  - cultural and art programmes
- Effective YA 2026

4. Expansion of Tax Relief for Environmental Sustainability and Home Safety-related Expenditure

- Currently, tax relief of up to RM2,500 is given on environmental sustainability-related expenses related to:-
  - installation, rental and purchase (including hire-purchase equipment or subscription fee) of EV charging facilities for the individual own vehicle from YA 2022 to YA 2027; and
  - purchase of household food composting machine where the claim is allowed once within 3 years of assessment from YA 2025 to YA 2027
- In order to promote sustainable and safe lifestyles through the adoption of green technology and smart safety systems, it is proposed that the expenses incurred on the purchase of household food waste grinders and Closed-Circuit Television ["CCTV"] for home use be allowed tax relief once within 2 years of assessment
- This new tax relief together with the tax relief for EV charging facilities and household food composting machine shall be limited to RM2,500
- Effective YA 2026 and YA 2027

5. Expansion of Scope of Tax Relief for Life, Education and Medical Insurances

- Currently, tax relief is claimable by individual taxpayers as follows:-
  - life insurance premiums or *takaful* contributions for self, husband/wife of up to RM3,000; and
  - education and medical insurance premiums for self, husband/wife or children of up to RM4,000
- It is proposed that the scope for the payment of life insurance premiums or *takaful* contributions be expanded to include children
- The eligibility criteria for insured children for the purpose of claiming individual income tax relief on life insurance premiums or *takaful* contributions, education and medical insurance are determined as follows:-
  - aged below 18 and unmarried;
  - aged 18 and above, unmarried and pursuing tertiary education; or
  - no age limit for unmarried disabled children
- Effective YA 2026

6. Tax Deduction for Contribution to Approved Anti-Corruption Programmes Organised by Civil Society Organisations

- Please refer to Part B4 below

7. Tax Deduction for Contribution to *MADANI* Initiative Programmes

- Please refer to Part B5 below

8. Tax Deduction for Cash Contributions to Trust Account of the Department of Museums Malaysia

- Please refer to Part B6 below

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Imposition of Income Tax on Profit Distributions Received by Partners in LLP

- Currently, profit distributions from LLP received by partners are exempted from tax
- To establish a more progressive individual income tax structure and broader the tax base, it is proposed that an income tax of 2% be imposed on chargeable income from profit distributions from LLP received by individual partners (residents and non-residents) in which the profit distributions exceeds RM100,000 in a year of assessment
- The prescribed formula to determine the chargeable income on profit distributions from LLP (in the event the individual partner has profit distributions and other income) is as follows:-

$$\frac{A}{B} \times C = D$$

Where

A – Profit distributions received from LLP (deemed as statutory income of partners)
B – Aggregate income of partners
C – Chargeable income of partners
D – Chargeable income from profit distributions from LLP*

* after taking into account reliefs and deductions

- Effective YA 2026

2. Review of Capital Allowance on Capital Expenditure for Plant, Machinery, Information and Communication Technology Equipment and Computer Software

- Currently, capital allowance rates on qualifying expenditure incurred for business purposes are as follows:-

Qualifying Expenditure	Existing Capital Allowance Rates
Motor vehicle, heavy machinery	Initial allowance ["IA"]: 20% Annual allowance ["AA"]: 20%
Plant and general machinery	IA: 20% AA: 14%
Others	IA: 20% AA: 10%
Information and Communication Technology ["ICT"] equipment and computer software	IA: 40% AA: 20%

- It is proposed that the revised capital allowance rates on qualifying expenditure incurred by a resident person are as follows:-

Qualifying Expenditure	Proposed Capital Allowance Rates
Procurement of heavy machinery from local manufacturers	IA: 20% AA: 40%
Procurement of plant and general machinery from local manufacturers	
ICT equipment and computer software	
Consultation, licensing and incidental fees related to the development of customised computer software	

- Effective for qualifying expenditure incurred from 11th October 2025 to 31st December 2026

3. Accelerated Capital Allowance on the Cost of Purchasing Speed Limitation Devices for Heavy Vehicles

- Currently, the purchase of Speed Limitation Devices ["SLD"] is eligible for capital allowance under "Other Assets" category, with an IA rate of 20% and AA rate of 10%
- The enforcement of SLD installation on heavy vehicles will be implemented in phases as follows:-
  Phase 1: Verification of SLD functionality for heavy vehicles manufactured on or after 1st January 2015 has been enforced from 1st October 2025
  Phase 2: Activation of the SLD within the Engine Control Unit for heavy vehicles manufactured before 1st January 2015 will be compulsory from 1st January 2026
  Phase 3: Retrofit installation of SLD for heavy vehicles manufactured before 1st January 2015 that are not equipped with an SLD system will be mandated from 1st July 2026
- It is proposed that ACA at the IA rate of 20% and AA rate of 80% be given on the purchase of SLD up to RM4,000 per unit subject to the following conditions:-
  - The SLD retrofit installation must be certified by a Verification Body recognised by the Road Transport Department;
  - The installation of SLD applies to heavy vehicles manufactured prior to 1st January 2015 that are not equipped with such devices and is limited to the following categories:-
    - goods vehicles with a Gross Vehicle Weight exceeding 3,500 kg; and
    - passenger vehicles with a Gross Vehicle Weight exceeding 5,000 kg and designed to carry more than 8 passengers
  - ACA claim is not applicable for SLD replacement
- Effective for SLD installations carried out from 1st January 2026 to 31st December 2026

4. Tax Deduction for Contribution to Approved Anti-Corruption Programmes Organised by Civil Society Organisations

- In support of the National Anti-Corruption Strategy 2024-2028 which seeks to cultivate an anti-corruption culture within organisations and encourage wider public participation in combating corruption, it is proposed that:-
  - anti-corruption education programmes organised by Civil Society Organisations ["CSO"] be approved as national interest projects under Section 44(11C) of the ITA 1967, subject to the programmes/activities:-
    - recognised by the Malaysian Anti-Corruption Commission;
    - benefits the *rakyat* and does not involve sensitive issues such as politics, race and religion;
    - not profit-driven and does not collect participation fees; and
    - implemented between 1st January 2026 and 31st December 2028
  - cash donations to the approved anti-corruption programmes organised by CSO be eligible for tax deduction equivalent to the amount contributed, up to 10% of aggregate income
- Effective for applications received by MOF from 1st January 2026 to 31st December 2028

5. Tax Deduction for Contribution to *MADANI* Initiative Programmes

- It is proposed that companies and individuals with business income be given tax deductions for contributing to the *Kampung Angkat, Sekolah Angkat MADANI* and *Sejahtera MADANI* programmes
- The effective date of this proposal is unknown

6. Tax Deduction for Cash Contributions to Trust Account of the Department of Museums Malaysia

- It is proposed that cash contributions made by individuals and companies to the Trust Account of the Department of Museums Malaysia be eligible for tax deductions equivalent to the amount contributed as an incentive to encourage public support for museum development and preservation initiatives
- The effective date of this proposal is unknown

7. Tax Deduction on Costs of Renovation and Refurbishment for Tourism Projects Operators

- It is proposed that tax deduction of up to RM500,000 be given to tourism projects operators registered with MOTAC for expenses incurred for renovation and refurbishment cost on their business premises
- Effective for qualifying expenditure incurred from 11th October 2025 to 31st December 2027

8. Special Tax Deduction on Expenses Incurred for Renovation and Conversion of Commercial Buildings into Residential Premises

- It is proposed that a special tax deduction of 10% be allowed on qualifying expenditure incurred for the renovation and conversion of commercial buildings into residential premises, limited to RM10 million
- The effective date of this proposal is unknown

9. Further Deduction for Expenses incurred on Artificial Intelligence Training

- Currently, tax deduction is given under Section 33 of the ITA 1967 for expenses incurred on employees training which are directly related to the company's business activities
- Companies are also given further tax deduction on the expenses incurred for approved training programmes in manufacturing and non-manufacturing activities, including the hotel and tourism industries, excluding companies that contribute to HRD Corp
- To encourage the adoption of artificial intelligence ["AI"] in business operations, it is proposed that a further tax deduction equivalent to 50% of expenses incurred by MSME be given on AI training recognised by MyMahir National AI Council for Industry, including those contributing to HRD Corp
- The above further tax deduction is claimable once in 2 years
- Effective for applications received by TalentCorp from 1st January 2026 to 31st December 2027

10. Expansion of Double Deduction for Training of Care Worker

- Currently, double deduction is given to companies sponsoring training for persons with disabilities ["OKU"] who are registered with the Department of Social Welfare and are not employees of the sponsoring company
- In order to fulfill the need for quality care services for elderly, children with special needs and OKU, it is proposed that this tax deduction be expanded to include sponsorship of care workers to undergo training programmes in institutions recognised by the Ministry of Women, Family and Community Development, who are not employees of the company
- Effective YA 2026 to YA 2027

11. Extension of Double Deduction for Scholarships

- Currently, double deduction is given to companies providing scholarships to students pursuing technical and vocational certificate, Diploma, Bachelors, Masters and Doctorate levels
- It is proposed that the double deduction be extended for another 5 years and the scope be reviewed as follows:-
  - double deduction be given to companies providing scholarships to students pursuing *Sijil Teknik Vokasional,* Diploma, Bachelor's Degree or qualified professional certification courses; and
  - the household income limit for the student's parents or guardian to be increased to not exceeding RM15,000 per month
- Effective YA 2026 to YA 2030

12. Review of Tax Deduction for Employment of Senior Citizen, Ex-Convict, Parolee, Supervised Person, Ex-Drug Dependant, Inmate and Ex-Inmate of Henry Gurney School and Institutions under the Social Welfare Department

- Currently, an employer is given further tax deduction of remuneration incurred by him for employment of senior citizen (≥ 60 years of age), ex-convict, ex-drug dependent, parolee, supervised person, inmate and ex-inmate of Henry Gurney School and institutions under the Social Welfare Department until YA 2025, subject to the following conditions:-
  - the employee is employed on a full-time basis;
  - the remuneration paid to each employee does not exceed RM4,000;
  - employer and employee are not the same person; and
  - the employer is not a relative of the employee
- It is proposed that the above further deduction for remuneration paid to senior citizen be extended for another 5 years
- It is also proposed that further tax deduction be expanded to include remuneration paid to Prisoners Released on Licence under Prisons Act 1995 as well as drug/substance dependants and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependants and Misusers (Treatment and Rehabilitation) Act 1983
- Effective YA 2026 to YA 2030

13. Extension and Expansion of Tax Deduction on Cost of Listing in Bursa Malaysia

- Currently, tax deduction of up to RM1.5 million is allowed for the following expenditure incurred by technology-based companies and MSME for the basis period in a year of assessment when the company is listed on Main Market, Access, Certainty, Efficiency ["ACE"] Market or Leading Entrepreneur Accelerator Platform ["LEAP"] Market of Bursa Malaysia from the YA 2023 to YA 2025:-
  - payment of fees to Bursa Malaysia and SC;
  - payment of the following professional fees:-
    - advisory fee to the principal adviser for listing on the Main Market, sponsor, being the main adviser for listing on the ACE Market and approved adviser, being the main adviser for listing on the LEAP Market; and
    - in relation to the listing exercise, fees to the solicitor, company secretary, tax adviser, reporting accountant, auditor, valuer, independent market researcher, issuing house and share registrar; and
  - payment of fees for underwriting, placement and brokerage services
- It is proposed that the deduction be expanded to cover MSME in the energy and utilities sectors
- In addition, it is proposed that the above tax deduction be extended for another 5 years
- Effective YA 2026 to YA 2030

14. Review of Tax Exemption on Foreign-Sourced Income

- Effective 1st January 2022, foreign-sourced income ["FSI"] derived from source outside Malaysia and received in Malaysia by any person who is a resident is subject to income tax
- Currently, income tax exemptions are given on the following FSI:-
  i dividend income received by company and LLP (from 1st January 2022 to 31st December 2026)
  ii gains from disposal of capital assets received by company, LLP, trust body or co-operative society (from 1st January 2024 to 31st December 2026);
  iii income received by individual (excluding partnership) (from 1st January 2022 to 31st December 2036); and
  iv income from unit trusts (from 1st January 2024 to 31st December 2026)
- It is proposed that the scope of tax exemptions on FSI be expanded to dividend income received by co-operative society and trust body
- It is further proposed that the tax exemptions on items (i), (ii) and (iv) be extended for another 4 years
- Effective from 1st January 2027 to 31st December 2030

15. Tax Exemption for Organising International Incentive Trips, Conferences and Trade Exhibitions

- Currently, 100% tax exemption is given to companies, associations and organisations in Malaysia whose main activities are promoting and organising conferences (effective YA 1997) and other entities whose main activities are not primarily promoting and organising conferences (effective YA 2020 to YA 2025), subject to the conference promoter bringing in at least 500 foreign participants annually
- To promote international incentive trips, conferences and trade exhibitions, it is proposed that 100% income tax exemption on statutory income for organisers verified by MOTAC be extended for 2 years, subject to bringing in:-
  - at least 1,500 foreign participants for incentive trips annually;
  - at least 2,000 foreign participants for conferences annually; or
  - at least 3,000 foreign participants for trade exhibitions annually
- Effective YA 2026 to YA 2027

16. Tax Exemption for Organising Arts, Cultural, Sports, and Recreational Competitions

- Currently, 50% tax exemption on statutory income is granted to organisers of approved activities from YA 2020 to 2025 as follows:-
  - arts and cultural activities approved by MOTAC and held at *Istana Budaya*, National Art Gallery or *Dewan Filharmonik Petronas*; and
  - sports and recreational competitions of international standard approved by the Ministry of Youth and Sports ["KBS"]
- In conjunction with Visit Malaysia Year 2026, it is proposed that:-
  - the scope be expanded to include tourism activities approved by MOTAC (excluding concert performances);
  - the venue for arts, cultural and tourism activities be broadened to include any location in Malaysia approved by MOTAC;
  - international sports and recreational competitions approved by KBS; and
  - the incentive be extended for 2 years
- Effective YA 2026 to YA 2027

17. Expansion of Scope of Income Tax Exemption on SRI *Sukuk* Grant and Bond Grant Scheme

- Currently, income tax exemption is given to the recipient of the Sustainable and Responsible Investment ["SRI"] *Sukuk* Grant, SRI-Linked *Sukuk* Grant, bonds issued under the Association of Southeast Asian Nations ["ASEAN"] Green, Social and Sustainability Bond Standards and ASEAN Sustainability-Linked Bond Standards, to finance 90% of the external review expenditure, limited to RM300,000 incurred for the issuance of *sukuk*
- It is proposed that:-
  - the tax exemption be expanded to include *sukuk* and bonds issued under the ASEAN Taxonomy for Sustainable Finance
  - the grant allocation for external review expenses be increased to 100%, limited to RM300,000
- Effective for applications received by SC from 1st January 2026 to 31st December 2028

18. Review of Tax Treatment on Public University Teaching Hospitals Endowment Fund

- Currently, the tax treatment accorded to the endowment funds established by public universities are as follows:-
  - cash contributions to the endowment funds are allowed tax deduction under Section 44(11D) of the ITA 1967; and
  - contributions received including income generated from the endowment fund are exempted from tax
- It is proposed that public university teaching hospitals be allowed to establish endowment funds to ensure financial sustainability of these hospitals in providing quality healthcare services
- Accordingly, the endowment funds established by the public university teaching hospitals would be eligible for similar tax treatments as described above, provided that the endowment funds established are governed and managed solely by the public university teaching hospitals in line with their prescribed guidelines
- Effective YA 2026

19. Extension of Tax Exemption for Social Enterprises

- Currently, income tax exemption is given on all income for up to 3 years of assessment received by a Social Enterprises accredited by the Ministry of Entrepreneur Development and Cooperatives
- It is proposed that the application period for the tax exemption be extended for another 3 years
- Effective for applications received by the MOF from 1st January 2026 to 31st December 2028

C. Investment Incentives

1. Green Investment Tax Allowance Asset for Own Consumption

- Currently, the following incentives for Green Investment Tax Allowance ["GITA"] Asset for Own Consumption is given to companies undertaking qualifying green activities:-

Qualifying Activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
Tier 1: (i) List of qualifying assets approved by MOF (ii) Battery Energy Storage System (iii) Green building	100%	70%	Qualifying capital expenditure incurred from 1st January 2024 to 31st December 2026
Tier 2: (i) List of qualifying assets approved by MOF (ii) Renewable Energy System (iii) Energy efficiency	60%	70%	

- It is now proposed that a 100% GITA Asset for Own Consumption be expanded to cover companies that use locally manufactured green technology products registered under the MyHIJAU Mark

2. Review of Tax Incentive for Food Security Projects

- Currently, the tax incentives for food production projects are given as follows:-
  - A company that undertakes investment in a subsidiary company engaging in new food production project is given tax deduction equivalent to the amount of investment made in the subsidiary in the basis year the investment is made; and
  - A company carrying out:-
    - a new food production project is given 100% income tax exemption of statutory income for a period of 10 years of assessment; or
    - an expansion of the existing food production project is given 100% income tax exemption of statutory income for a period of 5 years of assessment
  - Applications for the tax incentives will expire on 31st December 2025
- The Tax Incentive for Food Production Projects to be rebranded as the Tax Incentive for Food Security Projects
- It is proposed that the tax incentives for companies implementing food security projects be given as follows:-

Eligible Companies	Tax Incentive
Companies engaging in new projects	• 100% income tax exemption on statutory income for a period of 10 years of assessment; and • The tax exemption be given on income generated from sales in domestic markets
Existing companies undertaking expansion projects	• 100% income tax exemption on statutory income for a period of 5 years of assessment; and • The tax exemption be given on income generated from sales in domestic markets

- Effective for applications received by Ministry of Agriculture and Food Security ["MAFS"] from 1st January 2026 to 31st December 2030

3. Expansion of Automation Tax Incentive for Agriculture Sector

- Currently, the tax incentives for chicken rearing using closed-house system and automation in the agriculture sector are given as follows:-
  - Chicken rearing through the closed-house system
    - ACA of 100% on the qualifying capital expenditure;
    - Income tax exemption of 100% equivalent to the qualifying capital expenditure; and
    - Application for the tax incentive will expire on 31st December 2025
  - Automation in the agriculture sector
    - ACA of 100% on the first RM10 million of the qualifying capital expenditure
- It is proposed that the tax incentive for automation in the agriculture sector be expanded to include chicken rearing using the closed-house system
- Effective for applications received by the MAFS from 1st January 2026 to 31st December 2027

4. Review of Tax Incentive for Venture Capital

- To further encourage investment by Venture Capital Company ["VCC"], the following is proposed:-
  - VCC
    - A corporate tax rate of 5% be imposed on all income earned by a VCC, excluding interest or profit derived from savings, fixed deposits, or deposits, provided that the VCC invests at least 20% of its funds in local venture companies
    - The incentive is granted for a period of 10 years or for the remaining life of the fund, commencing from the year the VCC obtains its first certification from the SC no later than 31st December 2035
    - This incentive is expanded to include entities incorporated under the Limited Liability Partnerships Act 2012 and Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which elect to be taxed under the ITA 1967
  - Venture Capital Management Company
    - Tax rate of 10% will be imposed on income derived from profit sharing, management fees and performance fees from YA 2025 to YA 2035
  - Individual Shareholders of VCC
    - Income tax exemption will be granted on dividends paid, credited or distributed to individual shareholders at the first level from YA 2025 to YA 2035
- Effective YA 2025

5. Tax Incentives for Tour Operators

- To boost participation in Visit Malaysia Year 2026, it is proposed that tour operators be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:-
  - the operator must bring in at least 1,000 foreign tourists annually; and
  - the incremental income refers to the difference between the qualifying income derived from the business of operating inbound tourism packages to Malaysia during the basis period and the income from the preceding basis period
- Effective YA 2026 and YA 2027

6. Extension of Tax Incentive for Commercialisation of R&D Findings

- Currently, tax deduction is given for investments made in the subsidiary company that undertakes the commercialisation of non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher learning institutions
- To elevate productivity and drive national competitiveness, it is proposed that the above tax incentive be extended for another 5 years
- Effective for applications received by MIDA from 1st January 2026 to 31st December 2030

D. Stamp Duty

1. Review of Stamp Duty Exemption on Employment Contracts

- Currently, stamp duty exemption is granted for employment contracts with monthly wages not exceeding RM300
- It is proposed that the wage threshold for the above stamp duty exemption be increased from RM300 to RM3,000
- Effective for employment contracts executed from 1st January 2026

2. Extension of Stamp Duty Exemption on Insurance Policies or *Takaful* Certificates for *Perlindungan Tenang* Products

- Currently, stamp duty exemption is granted for insurance policies and *takaful* certificates in respect of *Perlindungan Tenang* products with an annual premium or contribution not exceeding RM150, issued by a licensed insurer or a licensed *takaful* operator from 1st January 2019 to 31st December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for policies and certificates issued from 1st January 2026 to 31st December 2028

3. Extension of Stamp Duty Exemption on Insurance Policies or *Takaful* Certificates for Product with Low Annual Premium or Contribution Value

- Currently, stamp duty exemption is granted for insurance policies or *takaful* certificates for approved insurance or *takaful* products (i.e. liability, fire, travel, engineering, personal accident and fire business interruption) with an annual premium or contribution value not exceeding:-
  - RM150 for individuals; and
  - RM250 for MSME,

  issued by a licensed insurer or a licensed *takaful* operator from 1st January 2022 to 31st December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for policies or certificates issued from 1st January 2026 to 31st December 2028

4. Extension of Stamp Duty Exemption for Instruments of Transfer and Loan Agreements for the Purchase of First Residential Home

- Currently, stamp duty exemption is given on the instruments of transfer and loan agreements for the purchase of first residential home valued up to RM500,000 by Malaysian citizens. This exemption applies to sale and purchase agreements executed from 1st January 2021 to 31st December 2025
- It is proposed that the above stamp duty exemption be extended for another 2 years
- Effective for sale and purchase agreements executed from 1st January 2026 to 31st December 2027

5. Review of Stamp Duty on Instruments of Transfer of Residential Home to Non-Citizens and Foreign Companies

- Currently, stamp duty at a flat rate of 4% is levied on the instruments of transfer of real properties (including residential homes) to non-citizen individuals (excluding permanent residents) and foreign companies
- It is proposed that the above stamp duty rate be increased from 4% to 8%
- Effective for instruments of transfer executed from 1st January 2026

6. Stamp Duty Exemption on Contract Notes for Buy-Side Transaction of Structured Warrant

- Currently, stamp duty at a flat rate of 0.1% is levied on contract notes for the sale and purchase transaction of structured warrants, capped at RM200 per contract note
- It is proposed that stamp duty exemption be given on contract notes for buy-side structured warrant transaction
- Effective for transactions executed from 1st January 2026 to 31st December 2028

7. Extension of Stamp Duty Exemption on Contract Notes for Listed Exchange-Traded Funds Transactions

- Currently, stamp duty exemption is given on contract notes for the sale and purchase transaction of Exchange-Traded Funds listed on Bursa Malaysia, executed from 1st January 2018 to 31st December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for transactions executed from 1st January 2026 to 31st December 2028

E. Sales and Service Tax and Indirect Taxes

1. Tightening of Vehicle Tax Exemption Policy in Langkawi and Labuan

- For the purpose of addressing the issue of tax leakage by luxury vehicle owners taking advantage of the vehicle tax exemption facilities in Langkawi and Labuan, it is proposed that such exemptions be limited to vehicles with a value not exceeding RM300,000
- Effective 1st January 2026

2. Review of Excise Duty and Sales Tax Exemptions on the Purchase of New PROTON and PERODUA as Privately Owned Taxis and Hired Cars

- It is proposed that full exemption of excise duty and sales tax on the purchase of new national cars (PROTON and PERODUA) by privately owned taxis and hired cars be continued
- The effective date of this proposal is unknown

3. Review of Excise Duty Rates on Smoking Products

- In line with Malaysia's commitment as a party to the WHO FCTC and as part of the Government's ongoing efforts to reduce the consumption of smoking products for the health and well-being of the *Rakyat*, it is proposed that the excise duty rates on the following smoking products be increased in phases as follows:-

Products	Tariff Code	Current Excise Duty	Proposed Excise Duty
Cigarette	2402.20.2000	40 cents per stick / RM8 per packet	42 cents per stick / RM8.40 per packet
	2402.20.9000		
	2402.90.2000		
Cigars, cheroots and cigarillos	2402.10.0000	RM400 per kilogramme	RM440 per kilogramme
	2402.90.1000		
Heated tobacco products	2404.11.0000	RM778 per kilogramme of tobacco content	RM798 per kilogramme of tobacco content

- Effective 1st November 2025

4. Review of Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy Products

- To further support the implementation of the mQuit Programme and the Lung Health Initiative by the MOH as well as in line with Malaysia's commitment as a party to the WHO FCTC to provide effective smoking cessation treatment, it is proposed that:-
  - import duty and sales tax exemptions on nicotine gum (tariff code 2404.91.1000) and nicotine patch (tariff code 2404.92.1000) be extended until 31st December 2027; and
  - the scope of exemption for nicotine replacement therapy products be expanded to include nicotine mist and nicotine lozenges with tariff code 2404.91.9000, effective from 11th October 2025 to 31st December 2027
- For applications received by the MOF from 11th October 2025 to 31st December 2027

5. Review of Excise Duty Rates on Alcoholic Beverage Products

- In order to reduce access to alcoholic beverages and promote a healthier lifestyle, it is proposed that the excise duty rates on the following alcoholic beverage products be increased by 10% as follows:-

Products	Tariff Code	Current Excise Duty RM (per 100% vol. per liter)	Proposed Excise Duty RM (per 100% vol. per liter)
Beer	22.03	175.00	192.50
Sparkling wine	2204.10.000	450.00	495.00
Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka	2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20, 2208.30, 2208.40.0000, 2208.50.0000, 2208.60.0000	150.00	165.00
Cider and perry, sake, shandy, wine (vegetable & fruit juice), other rice wine, liqueurs and cordials, arrack or pineapple spirit	2206.00.1000, 2206.00.2000, 2206.00.4100, 2206.00.4900, 2206.00.6000, 2206.00.9100, 2208.70.1000, 2208.70.9000, 2208.90.5000, 2208.90.6000, 2208.90.9100, 2208.90.9900	60.00	66.00
Samsu (including medicated samsu)	2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	60.00	66.00
Coconut palm toddy, mead, bitters	2206.00.3100, 2206.00.3900, 2206.00.5000, 2206.00.9900, 2208.90.7000, 2208.90.8000	40.00	44.00
Undenatured ethyl alcohol	2207.10.0000	22.50 and 15%	24.75 and 16.5%
Ethyl alcohol and other spirits	2207.20	1.10 and 15%	1.21 and 16.5%

- Effective 1st November 2025

F. Others

1. Introduction of Digital Tax Stamp

- RMCD will introduce a digital tax stamp with enhanced security features to curb counterfeiting and address leakages at the country's entry points through the Centralised Screening Complex CCTV system

2. Incentive for Relocation from SOCSO

- Incentive up to RM1,000 will be provided by SOCSO to job seekers or fresh graduates who receive job offers that require them to be relocated

3. Subscription of Medical and Health Insurance or *Takaful* Plans with Savings in Account *Sejahtera*

- EPF contributors will be allowed to use their savings in Account *Sejahtera* to subscribe to basic medical and health insurance or *takaful* plans

4. Carbon Tax on Iron, Steel and Energy Sectors

- Carbon Tax will be introduced in 2026 for the iron, steel and energy sectors. To ensure the efficiency of implementation of Carbon Tax, its mechanism will be aligned with the National Carbon Market Policy and the forthcoming National Climate Change Bill

5. Grants

- The Government has allocated funds for the following grants in Budget 2026:-

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
1.	Vehicle Replacement Grant for Cars Over 20 Years Old	-	To increase road safety and encourage vehicle owners to replace their ageing cars, the government in collaboration with national carmakers will offer a matching grant of up to RM4,000 each to the owners for purchase of new national vehicle	Matching grant
2.	i-*TEKAD* Programme	RM35 million	To aid low-income individuals seeking to enhance employment skills to secure more stable income opportunities	Matching grant
3.	Revival of National Museum	RM5 million	To encourage the corporate sector, donors and heritage experts to revive the National Museum	Matching grant

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
4.	Disaster Relief Grant under GLC/GLIC Disaster Response Network	RM20 million	To support victims of natural disasters	Matching grant
5.	Social Initiatives by foundations of GLC/GLIC	RM120 million	To address urban poverty, homelessness and support former residents of the shelter homes of the Department of Social Welfare	Matching grant
6.	Malaysia Digital Acceleration Grant	RM53 million	To accelerate the growth and adoption of technologies such as blockchain, artificial intelligence and quantum computing	Reimbursable grant
7.	Agropreneur NextGen Programme by MAFS	RM20 million	To provide grants for young agropreneurs	Start-up grant and expansion grant
8.	Strategic Co-Investment Fund	RM200 million	To support SMEs and Mid-Tier Companies that strengthen the supply chains of key sectors through Equity Crowdfunding and Peer-to-Peer financing platforms	Matching funds
9.	Business Grant	RM10 million	To support up to 1,000 micro-entrepreneurs for purchase of business equipment	Up to RM10,000 per entrepreneur

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
10.	i-*Saraan* for Gig and Self-Employed Workers	-	To enhance social protection and encourage contributions to the EPF for the following groups:-	
			• gig workers, e-hailing and p-hailing drivers	• Matching contributions to the EPF up to RM600 per year or RM6,000 over a lifetime
			• other informal or self-employed workers	• Matching contributions to the EPF up to RM500 per year or RM5,000 over a lifetime

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