



BUDGET 2026

HIGHLIGHTS



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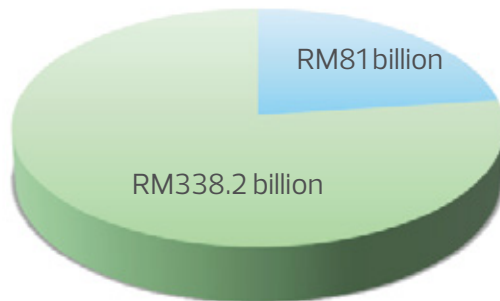
Abbreviations

Abbreviations	Description
AA	Annual Allowance
ACA	Accelerated Capital Allowance
ACE	Access, Certainty, Efficiency
ADHD	Attention Deficit Hyperactivity Disorder
AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
CA	Capital Allowance
CCTV	Closed-Circuit Television
COVID-19	Coronavirus Disease 2019
CSO	Civil Society Organisations
DOSW	Department of Social Welfare
ETFs	Exchange-Traded Funds
FSI	Foreign-Sourced Income
GDD	Global Developmental Delay
GDP	Gross Domestic Product
GVW	Gross Vehicle Weight
HPV	Human Papillomavirus
HRDF	Human Resources Development Fund
IA	Initial Allowance
ICT	Information and Communication Technology
ITA	Investment Tax Allowance
LEAP	Leading Entrepreneur Accelerator Platform
LLP	Limited Liability Partnership
MACC	Malaysian Anti-Corruption Commission
MAFS	Ministry of Agriculture and Food Security
MEDAC	Ministry of Entrepreneur Development and Cooperatives
MIDA	Malaysia Investment Development Authority
MITA	Malaysian Income Tax Act 1967
MOF	Ministry of Finance
MOTAC	Ministry of Tourism, Arts and Culture
MOYS	Ministry of Youth and Sports
MSMEs	Micro, Small and Medium Enterprises
MWFC	Ministry of Women, Family and Community Development
NRT	Nicotine Replacement Therapy
QCE	Qualifying Capital Expenditure
QE	Qualifying Expenditure
R&D	Research and Development
SA 1949	Stamp Act 1949
SC	Securities Commission Malaysia
SLD	Speed Limitation Devices
SMEs	Small and Medium Enterprises
SRI	Sustainable and Responsible Investment
TCMB	Talent Corporation Malaysia Berhad
TDAP	Tetanus, Diphtheria, and Acellular Pertussis
VC	Venture Company
VCC	Venture Capital Company
VCMC	Venture Capital Management Company
YA	Year of Assessment



Executive Summary

Prime Minister Datuk Seri Anwar Ibrahim, who also serves as Finance Minister, unveiled Malaysia's Budget 2026 on 10 October 2025.



Budget 2026 Allocation

– RM 419.2 billion

- Development Expenditure
- Operating Expenditure

With a record allocation of RM419.2 billion, the budget reflects a commitment to economic resilience, institutional reform and targeted aid for the rakyat.

It marks the largest budget ever presented, with RM338.2 billion allocated for operating expenditure and RM81 billion for development.

Projected revenue	Fiscal deficit	Economic growth	Inflation rate
RM343.1 billion ▲	3.5% of GDP ▼	4% to 4.5%	1.3% to 2%
RM334.1 billion in 2025	3.8% in 2025	5.1% in 2025	1% to 2% in 2025

Key Highlights of Budget 2026



ASEAN Business Entity Status

- ASEAN Business Entity status to be introduced and coordinated by SC, and will be granted to public listed companies and mid-sized companies to support their growth within ASEAN.



Carbon Tax

- Mechanism of carbon tax implementation will be introduced in 2026 with an initial focus on iron, steel and energy sectors.



Income Tax on Profit Distributions

- Imposition of 2% tax on profit distributions (exceeding RM100,000 per annum) received by individual partners (whether resident or non-resident) from an LLP.



Malaysia Digital Accelerator Grant

- RM53 million to be allocated to accelerate growth and adoption of technologies such as blockchain, AI and quantum computing.



Tax Incentive

- Starting 1st quarter of 2026, a new performance-based incentive framework will be implemented for the manufacturing sector, followed by services sector in the 2nd quarter.
- 100% Green ITA is given to companies using locally manufactured, MyHIAU Mark-certified green technology products for own use.
- Extension of tax exemption on foreign-sourced dividend income received in Malaysia by certain categories of taxpayers till 31 December 2030. From 1 January 2027 to 31 December 2030, the scope has been expanded to include co-operative societies and trust bodies.
- Extension of tax exemption on gains from disposal of foreign capital assets received in Malaysia by certain categories of taxpayers till 31 December 2030.
- Revision of VC tax incentives with special tax rates and dividend tax exemptions for a period of 10 years for individual shareholders.
- Special tax deduction of 10% (capped at RM10 million) for QE relating to conversion of commercial buildings to residences.
- Tax deduction of up to RM500,000 is given for renovation and refurbishment of business premises of tourism project operators.
- Additional tax deduction of 50% for SMEs on expenses pertaining to certified training relating to AI and cybersecurity.
- A tax deduction is given to companies and individuals (with business income) for contributions to Kampung Angkat, Sekolah Angkat MADANI dan Sejahtera MADANI.



Stamp Duty

- Full exemption on stamp duty for first time home buyers for purchase up to RM500,000 be extended to 31 December 2027.
- Stamp duty exemptions on employment contracts for monthly remuneration of RM3,000 or less.
- Revised stamp duty rate to 8% (from 4%) on instruments of transfer of residential property to non-citizen individuals (except permanent residents) and foreign companies.



1.0

CORPORATE TAX AND TAX INCENTIVES



1.0 CORPORATE TAX AND TAX INCENTIVES

1.1 REVIEW OF TAX EXEMPTION ON INCOME RECEIVED FROM OUTSIDE MALAYSIA

Currently, income tax is imposed on residents in Malaysia on income derived from foreign sources and received in Malaysia. However, tax exemptions are given for the following FSI:



i. Dividends from investments and gains from the disposal of capital assets abroad received by resident companies and LLPs from 1 January 2022 to 31 December 2026.



ii. Income received by individual taxpayers excluding partnership businesses, from 1 January 2022 to 31 December 2036.

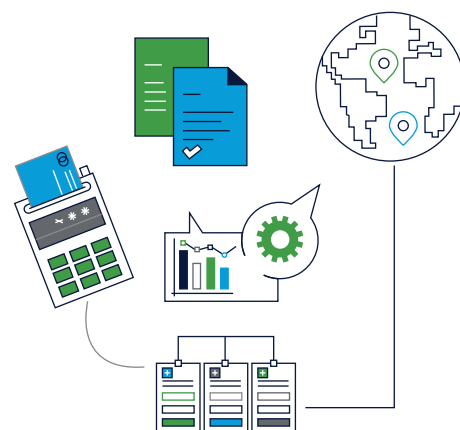


iii. Income received by unit trusts from 1 January 2024 to 31 December 2026.

It is proposed that the tax exemption on dividends from investments and gains from the disposal of capital assets abroad received by resident companies and LLPs be:

i. Expanded to include cooperative societies and trust bodies.

ii. Extended for 4 years from 1 January 2027 to 31 December 2030 for resident companies, LLPs, cooperative societies and trust bodies (as well as FSI for unit trusts).



Effective Date : 1 January 2027 to 31 December 2030

1.2 REVIEW OF INCOME TAX DEDUCTION FOR COST OF LISTING ON BURSA MALAYSIA

Currently, a tax deduction of up to RM1.5 million is given on the following expenditure incurred for listing on Bursa Malaysia's Main Market, ACE Market, and LEAP Market by technology-based companies and MSME:

Fees to
Bursa
Malaysia
and SC

Professional
fees

Underwriting,
placement
and brokerage
fees



It is proposed that a tax deduction of up to RM1.5 million on listing expenses for technology-based companies and MSMEs be reviewed as follows:

i. Tax deduction be expanded to MSMEs in the energy and utilities sectors.

ii. Tax deduction for technology-based companies and MSMEs in the technology, energy and utilities sectors be given for 5 years.



Effective Date : YAs 2026 to 2030



1.3 EXTENSION OF INCOME TAX EXEMPTION FOR SOCIAL ENTERPRISES

Effective YA 2022, income tax exemption is given on all income of Social Enterprise (subject to the validity period of accreditation by MEDAC). The exemption is for applications received by MOF from 1 January 2022 to 31 December 2025).

It is proposed that the application period for the above tax exemption be extended for 3 years.



Effective Date : For applications received by MOF from 1 January 2026 to 31 December 2028

1.4 REVIEW OF INCOME TAX EXEMPTION ON SRI SUKUK AND BOND GRANT SCHEME

Currently, issuers of Green SRI Sukuk are eligible for a grant of 90% of the external review expenses incurred in issuing the sukuk, subject to a maximum amount of RM300,000, which covers the following issuance of financial instruments approved by SC:

- i . SRI Sukuk.
- ii . SRI-Linked Sukuk.
- iii . Bonds that conform to the ASEAN Green, Social and Sustainability Bond Standards.
- iv . Bonds that conform to the ASEAN Sustainability-Linked Bond Standards.

The income tax exemption is given on grant* received from SC by Green SRI Sukuk issuers, from 1 January 2018 to 31 December 2025.

**The Green SRI Sukuk Grant was rebranded as SRI Sukuk and Bond Grant Scheme.*

It is proposed that the above income tax exemption be reviewed as follows:

- i . The grant allocation for the external review expenses be increased from 90% to 100% (limited to a maximum grant amount of RM300,000).
- ii . Financial instruments under the SRI Sukuk and Bond Grant Scheme be expanded to sukuk and bonds that conform to ASEAN Taxonomy for Sustainable Finance.
- iii . The income tax exemption be extended for 3 years.



Effective Date : For SRI Sukuk and Bond Grant Scheme applications received by SC from 1 January 2026 to 31 December 2028

1.5 INCOME TAX DEDUCTION ON CONTRIBUTIONS FOR INTEGRITY AND ANTI-CORRUPTION PROGRAMMES / ACTIVITIES

Currently, any person with business income would qualify for tax deduction under Section 34(6)(h) of MITA on expenses incurred (equivalent to the amount of expenditure) in organising integrity and anti-corruption programmes (subject to prescribed conditions).

It is proposed that:

- i . Anti-corruption education programmes organised by CSO be approved as national interest projects under Section 44(11C) of MITA, subject to the programmes / activities:

- a . Recognised by the MACC.
- b . Benefits the rakyat and does not involve sensitive issues such as politics, race and religion.
- c . Not profit-driven and does not collect participation fees.
- d . Implemented between 1 January 2026 and 31 December 2028.

- ii . Cash donations to the approved anti-corruption education programmes organised by CSOs will be eligible for income tax deduction equivalent to the amount contributed, up to 10% of aggregate income.



Effective Date : For applications received by MOF from 1 January 2026 to 31 December 2028



1.6 TAX TREATMENT FOR PUBLIC UNIVERSITY TEACHING HOSPITALS ENDOWMENT FUNDS

Currently, endowment funds established by eligible public universities qualify for the following tax treatment under Section 44(11D) of MITA:

i. Donors are eligible for tax deduction equivalent to the amount of the contribution, subject to a maximum of 10% of aggregate income.

ii. Contributions received including the income generated from the endowment fund are exempted from income tax.

It is proposed that public university teaching hospitals be allowed to establish endowment funds in which the cash contributions to the endowment funds be given tax deduction under Section 44(11D) of MITA (subject to the prescribed conditions).



Effective Date : YA 2026

1.7 ACA ON CAPITAL EXPENDITURE FOR PLANT, MACHINERY AND ICT EQUIPMENT

It is proposed that the scope of ACA (claimable within 2 years, i.e. with IA of 20% and AA of 40%) be expanded to the following QCE:

i. Procurement of heavy machinery from local manufacturers

ii. Procurement of plant and general machinery acquired from local manufacturers

iii. Purchase of ICT equipment and computer software

iv. Consultation, licensing and incidental fees related to customised computer software development



Effective Date : For QCE incurred from 11 October 2025 to 31 December 2026

1.8 TAX INCENTIVE FOR FOOD SECURITY PROJECTS

In Budget 2023, tax incentive for food production projects was given to companies investing in subsidiary companies engaging in new food production projects and companies engaging in food production projects. The tax incentive is effective for applications received by MAFS from 1 January 2023 to 31 December 2025.

It is proposed that the Tax Incentive for Food Production Projects be rebranded as the Tax Incentive for Food Security Projects. The tax incentive for companies implementing food security projects be provided as follows:

Eligible Companies	Tax Incentive
Companies engaging in new projects	i. 100% income tax exemption on statutory income for 10 YAs. ii. The tax exemption be given on income generated from sales in domestic markets.
Existing companies undertaking expansion projects	i. 100% income tax exemption on statutory income for 5 YAs. ii. The tax exemption be given on income generated from sales in domestic markets.

The application period for the above tax incentives be provided for 5 years.



Effective Date : For applications received by MAFS from 1 January 2026 to 31 December 2030

1.9 TAX INCENTIVE FOR AUTOMATION IN THE AGRICULTURE SECTOR

Effective YA 2023, the following tax incentives are given to agriculture sector [applications received by MAFS from 1 January 2023 to 31 December 2027]:

i. ACA of 100% for automation equipment on the first RM10 million of the QCE* incurred.

ii. Income tax exemption equivalent to 100% on the QCE*.

**for cropping, livestock farming, apiculture, aquaculture and captured fisheries activities.*

It is proposed that the above tax incentive be expanded to include rearing chicken using closed-house system.



Note: The application period for tax incentive in respect of chicken rearing in closed-house system is from 1 January 2023 to 31 December 2025.



Effective Date : For applications received by MAFS from 1 January 2026 to 31 December 2027

1.10 TAX INCENTIVE FOR TRAINING IN AI

It is proposed that training expenses incurred for business operations by MSMEs, including companies contributing to HRDF, on AI training recognised by MyMahir National AI Council for Industry (NAICI), be given a further tax deduction of 50% once in 2 years.



Effective Date : For applications received by TCMB from 1 January 2026 to 31 December 2027



1.11 EXTENSION OF TAX INCENTIVE FOR COMMERCIALISATION OF RESEARCH & DEVELOPMENT FINDINGS

It is proposed that tax deduction for companies investing in subsidiary companies that commercialise non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher education institutions be extended for 5 years.



Effective Date : For applications received by MIDA from 1 January 2026 to 31 December 2030

1.12 TAX INCENTIVE FOR TOUR OPERATORS

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:

i. The operator must bring in at least 1,000 foreign tourists annually.

ii. 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 Date : YAs 2026 and 2027

1.13 TAX DEDUCTION ON COSTS OF RENOVATION AND REFURBISHMENT FOR TOURISM PROJECTS

It is proposed that tourism project operators registered with MOTAC undertaking renovation and refurbishment works for business purposes be allowed a tax deduction on QE, up to a maximum of RM500,000.



Effective Date : For QE incurred from 11 October 2025 to 31 December 2027

1.14 TAX INCENTIVE FOR ORGANISING INTERNATIONAL INCENTIVE TRIPS, CONFERENCES AND TRADE EXHIBITIONS

Currently, companies promoting and organising conferences are given tax incentives as follows:

Entity	Tax Incentive
Companies, associations, or organisations whose main activity is promoting and organising conferences	<div>i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants annually.</div> <div>ii. Effective from YA 1997.</div>
Entities whose main activity is other than promoting and organising conferences	<div>i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants annually.</div> <div>ii. Effective from YAs 2020 to 2025.</div>

In conjunction with Visit Malaysia Year 2026, it is proposed that the above tax incentive be reviewed as follows:

i. 100% income tax exemption on statutory income for organisers verified by MOTAC, subject to bringing in:

- At least 1,500 foreign participants for incentive trips annually; or
- At least 2,000 foreign participants for conferences annually; or
- At least 3,000 foreign participants for trade exhibitions annually.

ii. The incentive be extended for 2 years.



Effective Date : YAs 2026 and 2027





1.15 TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES

Currently, 50% tax exemption on statutory income is given to organisers of approved activities (from YAs 2020 to 2025).

It is proposed that tax incentive be reviewed as follows:



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 MOYS.






The incentive be extended for 2 years.



Effective Date : YAs 2026 and 2027

1.16 REVIEW OF TAX INCENTIVE FOR VENTURE CAPITAL

The tax incentives for VC are reviewed as follows:

Type of VC	Existing	Proposal
VCC	<p>Exemption on income tax on statutory income derived from all sources of income (Note 1).</p> <p>The exemption is given for 5 YAs from the date of the first certification by SC for investments made in a VC.</p> <p><i>Note 1: No exemption is given for:</i> <i>i. Interest income from savings or fixed deposits.</i> <i>ii. Profits from Syariah-compliant deposits.</i></p> <p>VCC must be incorporated under the Companies Act 2016.</p>	<p>A corporate tax rate of 5% is imposed on all income of the VCC (Note 2).</p> <p>The exemption is given for 10 YAs or for the remaining life of the fund starting from the year the VCC obtains its first certificate (must be obtained by 31 December 2035) from SC.</p> <p><i>Note 2: No exemption is given for interest / profit income derived from savings, fixed deposits, or deposits.</i></p> <p>Requirement: To invest a minimum of 20% of its funds in local venture companies.</p> <p>Expanded to entities incorporated under the LLP Act 2012 and the Labuan Limited Partnerships and LLP Act 2010 which elect to be taxed under the MITA.</p> <p> Effective date: YA 2025</p>
VCMC	<p>Exemption of income tax on:</p> <ul style="list-style-type: none"> i. share of profits. ii. management fees. iii. performance fees received from VCC. 	<p>A tax rate of 10% is imposed on income derived from:</p> <ul style="list-style-type: none"> i. share of profits. ii. management fees. iii. performance fees received from VCC. <p> Effective date: YAs 2025 to 2035</p>
Investment in VCC (a company or an individual with business income that invest in a VCC fund)	<p>A tax deduction equivalent to the amount of investment made in the VCC, subject to a maximum of RM20 million.</p>	<p>For individual shareholders of VCC, exemption of income tax on dividends paid, credited or distributed to individual shareholders at the first level.</p> <p> Effective date: YAs 2025 to 2035</p>
Investment in VC (a company or an individual with business income that invest in a VC)	<p>A tax deduction equivalent to the amount of investment made in the VC.</p>	
Effective date	<p>For VCC registered with SC by 31 December 2023 (where the first certification by SC must be obtained by 31 December 2026).</p>	<p>YA 2025</p>

1.17 REVIEW OF TAX INCENTIVE FOR SCHOLARSHIPS

Currently, companies providing scholarships to students pursuing technical and vocational skills training, as well as higher education at the Diploma, Bachelors, Masters and Doctorate levels are eligible for double tax deduction subject to the student's criteria as follows:

- i . Malaysian citizen.
- ii . Pursuing full-time studies.
- iii . No source of income.
- iv . The monthly income of parents / guardians does not exceed RM10,000.



It is proposed that the above tax incentive for private companies providing scholarships be reviewed as follows:

- i . Double tax deduction be given to companies providing scholarships to students pursuing Sijil Teknik Vokasional / Diploma / Bachelor's Degree.
- ii . The scope of the double tax deduction is expanded to include qualified professional certification courses.
- iii . The household income requirement for the student's parents / guardians is increased to, not exceeding RM15,000 per month.
- iv . The incentive is extended for 5 years.



Effective Date : YAs 2026 to 2030



Zifan
One of the
RSM team



1.18 TAX INCENTIVE FOR TRAINING OF CARE WORKER

It is proposed that scope of double tax deduction for companies sponsoring training for persons with disabilities (OKU), be expanded to include sponsorship of care workers (not employees of the company) to undergo training programmes in institutions recognised by the MWFC.



Effective Date: YAs 2026 and 2027

1.19 REVIEW OF TAX INCENTIVE FOR EMPLOYING VULNERABLE PERSONS

Currently, a further tax deduction is given (up to YA 2025) to:

i. Employers that hire ex-convicts, former drug dependents, convicts who are categorised as Parolees and Supervised Persons.

ii. Employment costs paid to current and former residents of:

a. Henry Gurney School under the Malaysian Prison Department.

b. Cure and care rehabilitation centres as well as non-governmental care centres registered under the DOSW.

It is proposed that:

i. The scope be extended 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 Dependents and Misusers (Treatment and Rehabilitation) Act 1983.

ii. The tax incentive be extended for another 5 years.



Effective Date: YAs 2026 to 2030

1.20 EXTENSION OF TAX INCENTIVE FOR EMPLOYING SENIOR CITIZENS

It is proposed that a further tax deduction for employers hiring senior citizens be extended for 5 years.



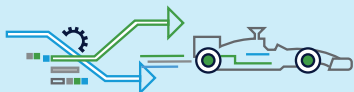
Effective Date: YAs 2026 to 2030

1.21 ACA ON THE COST OF PURCHASING SLD FOR HEAVY VEHICLES

Currently, the purchase of SLD devices is eligible for CA under Schedule 3 of MITA with IA of 20% and AA of 10%.

It is proposed that ACA (claimable within one year, i.e. with IA of 20% and AA of 80%) be given on the expenditure for purchasing SLD devices (excluding SLD replacement), 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 devices applies to heavy vehicles manufactured prior to 1 January 2015 that are not equipped with such devices and is limited to the following categories:

i. Goods vehicles with a GVW exceeding 3,500 kg.

ii. Passenger vehicles with a GVW exceeding 5,000 kg and designed to carry more than 8 passengers.



Effective Date: For SLD installations carried out from 1 January 2026 to 31 December 2026



2.0

PERSONAL TAX



2.0 PERSONAL TAX

2.1 IMPOSITION OF INCOME TAX ON PROFIT DISTRIBUTIONS RECEIVED BY PARTNERS IN A LLP

Currently, the income tax treatment for LLPs are as follows:

i. Income received by an LLP is taxed at the corporate tax rate at 15%, 17% and 24%.

ii. Profit distributions from LLP received by partners are exempt from tax under Paragraph 12C, Schedule 6 of MITA.

Partners receiving income other than profit distributions from LLP such as employment income are subject to individual income tax based on progressive tax rates.

It is proposed that profit distributions from LLP received by partners be taxed as follows:

Scope of taxation:

- a. Income in the form of profit distributions from LLP received by individual partners.
- b. Individual LLP partners consisting of resident and non-resident individuals.

Prescribed threshold amount and formula for determining chargeable income:

- a. Income in the form of profit distributions exceeding RM100,000 per year is subject to tax.
- b. Formula for determining chargeable income:
If partners have income in the form of profit distributions from LLP and other types of income, the apportionment of the total chargeable income is determined based on the following formula:

$$(A/B) \times C = D$$

whereby,

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

Tax rate of 2% is imposed on chargeable income from profit distributions after taking into account allowable relief and deduction.

Tax payment mechanism: Partners are required to report the profit distributions received from LLP in the tax return for the basis year of the YA.



Effective Date : YA 2026

2.2 EXPANSION OF INDIVIDUAL INCOME TAX RELIEF FOR VACCINATION EXPENSES

Currently, individual income tax relief of up to RM1,000 is provided for vaccination expenses for self, husband / wife or children covering the following vaccines:

Pneumococcal

HPV

Influenza

Rotavirus

Varicella

Meningococcal

TDAP

COVID-19

It is proposed that the types of vaccines eligible be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health.



Effective Date : YA 2026

2.3 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR CHILDCARE OR KINDERGARTEN FEES

Currently, individual income tax relief of up to RM2,000 is given to a parent (to be claimed by either parent) on fees paid for childcare of children aged up to six (6) years old at the following eligible childcare premises:

i . Childcare Centres (TASKA) registered with the DOSW; or

ii . Kindergartens (TADIKA) registered with the Ministry of Education Malaysia.



A further tax relief of RM1,000 was introduced from YAs 2020 to 2027.

It is proposed that the above income tax relief be reviewed as follows:

i . A further 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.

ii . The eligible childcare premises be expanded to include daily care centres or after-school transit centres registered with DOSW for children aged up to 12 years old.



Effective Date : YA 2026



2.4 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR EARLY INTERVENTION PROGRAMMES OR REHABILITATION TREATMENT FOR CHILDREN WITH LEARNING DISABILITIES

Effective YA 2023, income tax relief of up to RM10,000 is given on various medical treatment expenses for self, husband / wife or children, including expenses for screening for detection, early intervention programmes and continuous rehabilitation treatment for children with learning disabilities aged 18 years and below, limited up to RM6,000.

It is proposed that the above income tax relief for expenses related to assessment and diagnosis, early intervention programmes and rehabilitation treatment for children aged 18 years and below with learning disabilities such as autism, ADHD, GDD, intellectual disability, down syndrome and specific learning disabilities be increased from RM6,000 to RM10,000.

The total individual income tax relief given on various medical treatment expenses for self, husband / wife or children is maintained of up to RM10,000.



Effective Date : YA 2026



2.5 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR PREMIUM OF LIFE, EDUCATION AND MEDICAL INSURANCES

Currently, individual income tax relief is provided for:



i. Life insurance premiums or takaful contributions for self, husband / wife up to RM3,000.



ii. Education and medical insurance premiums for self, husband / wife or children up to RM4,000.

It is proposed that:

i. The scope of individual income tax relief of up to RM3,000 for life insurance premiums or takaful contributions for self, husband / wife be expanded to include children.

ii. The eligibility criteria for insured children for the purpose of claiming individual income tax relief on life insurance premiums / takaful contribution, education and medical insurance premiums be 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 Date : YA 2026

2.6 EXPANSION OF INDIVIDUAL INCOME TAX RELIEF FOR ENVIRONMENTAL SUSTAINABILITY AND HOME SAFETY-RELATED EXPENDITURE

Currently, individual income tax relief of up to RM2,500 is provided for the following environmental sustainability-related expenses:

i. Purchase, rental and installation cost including hire-purchase equipment or subscription fees for electric vehicle charging facilities from YAs 2022 to 2027.

ii. Purchase of household food composting machine, subject to the claim is allowable once within a period of 3 years from YAs 2025 to 2027.

It is proposed that the scope of individual income tax relief of up to RM2,500 for expenses on electric vehicle charging facilities and food composting machines be expanded to include:

Household food waste grinders.

CCTV for home use.

The tax relief claim for the above is allowed once within a period of two (2) YAs.



Effective Date : YAs 2026 and 2027

2.7 INDIVIDUAL INCOME TAX RELIEF ON ENTRANCE FEES TO TOURIST ATTRACTIONS AND CULTURAL PROGRAMMES

For YAs 2020 to 2022, individual income tax relief of up to RM1,000 was given on the following expenses:



Accommodation at premises registered with MOTAC.



Entrance fees to tourist attractions.



Purchase of domestic tourism packages through licensed travel agents registered with MOTAC.

It is proposed that the above income tax relief of up to RM1,000 be given on expenditure incurred on entrance fee as follows:

i. Tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks.

ii. Cultural and art programmes.



Effective Date : YA 2026





3.0

STAMP DUTY



3.0 STAMP DUTY

3.1 REVIEW OF STAMP DUTY ON PROPERTY OWNERSHIP BY NON-CITIZENS

Currently, foreign-owned companies and non-citizen individuals (except Malaysian permanent residents) are subject to a fixed rate of 4% stamp duty on the instruments of transfer of real property under Item 32(aa), First Schedule of SA 1949.

It is proposed that the above rate be increased to 8% in respect of instruments of transfer of residential homes executed by non-citizen individuals (except Malaysian permanent residents) and foreign companies.



Effective Date : For instruments of transfer of residential homes executed from 1 January 2026

3.2 EXTENSION OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL HOME

Currently, a 100% stamp duty exemption is given on instrument of transfer and loan agreement for the purchase of first residential home priced up to RM500,000 by Malaysian citizens. The exemption applies to sale and purchase agreements executed from 1 January 2021 to 31 December 2025.

It is proposed that the above exemption be extended for another 2 years.



Effective Date : For sale and purchase agreements executed from 1 January 2026 to 31 December 2027

3.3 EXTENSION OF STAMP DUTY EXEMPTION FOR PERLINDUNGAN TENANG PRODUCTS

Currently, a 100% stamp duty exemption is given on insurance policies and takaful certificates for Perlindungan Tenang products which cover family, life and general insurance / takaful with premiums or contributions not exceeding RM150. The exemption applies to insurance policies and takaful certificates issued from 1 January 2019 to 31 December 2025.



It is proposed that the above exemption be extended for another 3 years.



Effective Date : For Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028

3.4 EXTENSION OF STAMP DUTY EXEMPTION ON INSURANCE POLICIES OR TAKAFUL CERTIFICATES WITH LOW ANNUAL PREMIUM / CONTRIBUTION

Currently, a 100% stamp duty exemption is given on insurance policies or takaful certificates (applicable to insurance or takaful certificates for liability, fire, travel, engineering, personal accident and business interruption due to fire) with low annual premium or contribution for:

i. Purchase of insurance policy or takaful certificate with an annual premium or contribution not exceeding RM150 by an individual.

ii. Purchase of an insurance policy or takaful certificate with an annual premium or contribution not exceeding RM250 by MSMEs.

The exemption applies to insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025.

It is proposed that the above exemption be extended for another 3 years.



Effective Date : For insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028



3.5 EXEMPTION OF STAMP DUTY ON CONTRACT NOTES FOR BUY-SIDE TRANSACTION OF STRUCTURED WARRANTS

Currently, contract notes for the sale and purchase transactions of structured warrants are subject to stamp duty under Item 31(b), First Schedule of SA 1949, at a rate of 0.1%, with a maximum stamp duty of RM200 imposed on each contract note.

It is proposed that stamp duty exemption on the contract notes for buy-side structured warrant transaction be given for 3 years.



Effective Date : For buy-side structured warrant transactions executed from 1 January 2026 to 31 December 2028

3.6 EXTENSION OF STAMP DUTY EXEMPTION ON CONTRACT NOTES FOR ETFs LISTED ON BURSA MALAYSIA

It is proposed that the above exemption be extended for another 3 years.



Effective Date : For ETFs transactions executed from 1 January 2026 to 31 December 2028

3.7 REVIEW OF WAGE THRESHOLD FOR STAMP DUTY EXEMPTION ON EMPLOYMENT CONTRACT

Currently, employment contracts are subject to stamp duty of RM10 under Item 4, First Schedule of SA 1949. However, employment contracts involving monthly wage of not exceeding RM300 per month are exempt from stamp duty.

It is proposed that the wage threshold for the above exemption be increased to RM3,000 per month.



Effective Date : For employment contracts executed from 1 January 2026





4.0

INDIRECT TAX



4.0 INDIRECT TAX

4.1 REVIEW OF EXCISE DUTY RATES ON CIGARETTE, CIGARS, CHERROOTS, CIGARILLOS AND HEATED TOBACCO PRODUCTS

Currently, the above products are subject to the following import duty, excise duty and sales tax:

Products	Import Duty	Excise Duty	Sales Tax
Cigarette	RM0.20 per stick / RM4 per packet	RM0.40 per stick / RM8 per packet	10%
Cigars, cheroots and cigarillos	RM200 per kg	RM400 per kg	10%
Heated tobacco products	5% + RM50 per kg	RM778 per kg of tobacco content	10%

It is proposed that:

Excise duty rate on cigarette be increased in phases, starting with a rise of RM0.02 per stick or RM0.40 per packet.

Excise duty rate on cigars, cheroots and cigarillos be increased in phases, starting with a rise of RM40 per kg.

Excise duty rate on heated tobacco products be increased in phases, starting with a rise of RM20 per kg of tobacco content.



Effective Date : 1 November 2025

4.2 REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY PRODUCTS

Currently, the import duty and sales tax rate for NRT products are as follows:

Products	Import Duty	Sales Tax
Nicotine Gum*	15%	5%
Nicotine Patch*	0%	10%
Nicotine Mist	15%	5%
Nicotine Lozenges	0%	10%

* exempted from import duty and sales tax effective from 1 April 2023 to 31 March 2026.



It is proposed that:

i. Import duty and sales tax exemption on nicotine gum and nicotine patch be extended to 31 December 2027.

ii. The scope of exemption for NRT products be expanded to include nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.



Effective Date : For applications received by MOF from 11 October 2025 to 31 December 2027

4.3 REVIEW OF EXCISE DUTY RATE ON ALCOHOLIC BEVERAGE PRODUCTS

Currently, alcoholic beverage products are subject to excise duties based on product type and alcohol content. The rates are as follows:

Product	Excise Duties (RM) (per 100% volume per liter)
Beer	175.00
Sparkling Wine	450.00
Other Wines & Spirits (e.g., grape must, vermouth, brandy, whiskies, rum, gin, vodka)	150.00
Cider, Perry, Sake, Shandy, Fruit & Vegetable Wines, Liqueurs, Cordials, Arrack or pineapple spirit	60.00
Samsu (including medicated samsu)	60.00
Coconut Palm Toddy, Mead, Bitters	40.00
Undenatured Ethyl Alcohol	22.50 and 15%
Ethyl Alcohol and Other Spirits	1.10 and 15%

It is proposed that a 10% increase in excise duty rates across all categories of alcoholic beverage products.



Effective Date : 1 November 2025



4.4 Review of Vehicle Tax Exemption Policy in Langkawi and Labuan

Currently, motor vehicles registered in Langkawi and Labuan enjoy full tax exemption on:



Import duties



Excise duties



Sales tax

It is proposed that sales tax and custom duties be imposed on vehicles exceeding RM300,000 in value imported or brought into Langkawi or Labuan.



Effective Date : 1 January 2026

Continuation of policy

The Government will continue to maintain the 100% excise duty and sales tax exemption for purchase of new national cars (i.e. Proton and Perodua) for eligible taxi and private hire car drivers. The exact implementation details (e.g., registration process or eligibility verification) may be released by MOF or relevant transport authorities in due course.

RSM TAX SEMINAR

2026 BUDGET

29 October 2025, Wednesday
9:00 AM – 5.00 PM
InterContinental Kuala Lumpur



Dear valued clients and business associates,

Join us at this year's RSM Tax Seminar which will provide participants with valuable insights, covering latest tax developments and also key tax changes outlined in Budget 2026 proposals.

Date 29 October 2025, Wednesday

Time 9.00 am – 5:00 pm

Venue InterContinental Kuala Lumpur

Registration



Scan here to register

*Closing date: **22 October 2025 (Wednesday)**

Seminar Fees

RM 680

Per Participant

RSM clients

RM 780

Per Participant

Non RSM clients

RM 650

Per Participant

Group registration
(for 2 and above)

HRD Corp Claimable

Scheme: HRD Corp Claimable Courses (SBL-KHAS)

MyCoID: 125828W (The Institute of Taxation Sdn Bhd)

Programme Code: 10001604426

Trainer: Mayadevi a/p Karpayah

Certificate of Attendance

Participants will be presented with a Certificate of Attendance which can be used to register CPE hours /CPD points

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