



Highlights of Budget 2026 Tax Espresso (Special Edition)

November 2025

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International Tax Review — Asia-Pacific Tax Awards 2025

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Capital Gains Tax

Clarification on the application of Chapter 9 on disposal of capital asset

Under Section 2 of the Act, capital asset is defined as:

- i. Movable or immovable property situated outside Malaysia including any rights or interests thereof; or
- ii. Movable property situated in Malaysia which is a share of a company incorporated in Malaysia not listed on the stock exchange (including any rights or interests thereof) owned by a company, limited liability partnership (LLP), trust body or co-operative society.

The existing Section 65D of the Act provides that Chapter 9 shall apply for ascertaining the chargeable income of a company, LLP, trust body or co-operative society which received gains or profits from the disposal of capital asset on or after 1 January 2024.

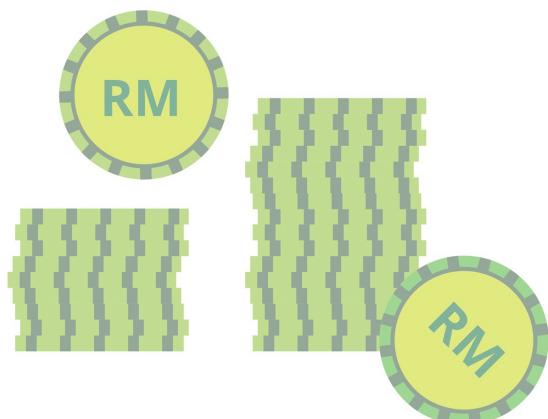
Proposal

Section 65D(1) of the Act is amended to clarify that the tax treatment for the gains or profits from the disposal of capital asset under Chapter 9, Part III of the Act applies to the disposal of capital asset situated in Malaysia and disposal of Section 15C shares only.

Effective: 1 January 2026

Commentary

The amendment to Section 65D(1) of the Act clarifies that Chapter 9 of the Act applies to capital gains arising from the disposal of domestic capital assets and Section 15C shares only. This formalises IRBM's responses in the dialogue sessions that Chapter 9 of the Act does not apply to gains or profits from the disposal of foreign capital assets received in Malaysia from outside Malaysia.



Redefinition of "disposal"

Under the current Section 65C of the Act, "disposal" means to sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes reduction of share capital and purchase by a company of its own shares.

Proposal

The definition of "disposal" under Section 65C of the Act will be expanded to include the following:

- i. An extinguishment of any rights due to the dissolution or winding up of a company; or
- ii. Conversion of shares; or
- iii. Redemption of shares; or
- iv. Ownership of the capital asset ends.

Effective: 1 January 2026

Determination of date of disposal

Pursuant to Section 65F of the Act, the determination of date of disposal, in the case where there is no written agreement, is based on date of completion.

The current Section 65F(3) of the Act provides that the "date of completion" is the earlier of:

- i. the date on which ownership of the capital asset disposed of is transferred by the disposer; or
- ii. the date on which full consideration (in money or money's worth) for the transfer has been received by the disposer.

A transfer of ownership of a capital asset is deemed to occur on the date when all legal requirements necessary to complete the transfer have been fulfilled.

Proposal

It is proposed that the "date of completion" be determined as the earlier of:

- i. The date on which the disposer transfers ownership of the capital asset, the disposer's ownership of the asset ceases, or the rights are extinguished as a result of the company's dissolution or winding up; or
- ii. the date on which the disposer has received the full amount or value of the consideration for the disposal, whether in cash or in kind.

A transfer of ownership of the capital assets, the ending of the disposer's ownership of the capital assets, or the extinguishment of rights due to a company's dissolution or winding up is deemed to take place on the date all legal requirements necessary to effect it have been fulfilled.

Effective: 1 January 2026



Capital Gains Tax (cont'd)

Clarification on the acquisition price for RPC shares under Section 15C of the Act

Section 15C(4A) of the Act provides that where a relevant company is an RPC under the RPGTA prior to 1 January 2024, the acquisition price of the RPC as determined under Paragraph 34A(3), Schedule 2 of the RPGTA, is deemed to be the acquisition price of the relevant company shares under Section 15C of the Act.

Proposal

The amendment in Section 15C(4A) of the Act clarifies that the acquisition price of RPC refers to the acquisition price of the shares of the RPC, which is consistent with Paragraph 34A(3), Schedule 2 of the RPGTA.

Effective: 1 January 2026

Disposal of capital asset held by nominee

Currently, there is no provision in the Act that deals with the disposal of a capital asset held by a nominee on behalf of a company, LLP, trust body or co-operative society (i.e., the beneficial owner).

Proposal

The introduction of a new Section 76A to the Act provides that, where a capital asset is held by a nominee on behalf of a company, LLP, trust body or co-operative society, the provisions of the Act shall apply as if the capital asset were held by the beneficial owner. Any act carried out by the nominee shall be deemed to be an act of the beneficial owner.

Where the capital asset is acquired from or disposed of to the nominee, such acquisition or disposal shall be disregarded for the purposes of CGT under the Act.

Effective: 1 January 2026

Commentary

The introduction of Section 76A to the Act is consistent with the existing treatment for dealings by nominees under Paragraph 28, Schedule 2 of the RPGTA.





Corporate Tax

Review of tax exemption on income received from outside Malaysia

Currently, tax exemptions are given on a periodic basis for the following foreign-sourced income, subject to meeting specified conditions:

Type of income received in Malaysia	Qualifying persons	Tax exemption period
Foreign-sourced dividend income	<ul style="list-style-type: none"> Resident company; Resident LLP; or Resident individual in relation to a partnership business in Malaysia 	1 January 2022 to 31 December 2026
Gains arising from disposal of foreign capital assets	<ul style="list-style-type: none"> Resident company; Resident LLP; Resident trust body; or Resident co-operative society 	1 January 2024 to 31 December 2026
All foreign-sourced income	Resident unit trust managed by a management company	1 January 2024 to 31 December 2026

Proposal

It is proposed that:

- The scope of tax exemption on foreign-sourced dividend income be expanded to include a resident co-operative society and a resident trust body; and
- All the above tax exemptions be extended for another 4 years.

Effective: 1 January 2027 to 31 December 2030

ACA on capital expenditure for plant, machinery and ICT

Currently, companies are eligible to claim capital allowance on qualifying capital expenditure incurred for business purposes as follows:

Asset category	Initial allowance %	Annual allowance %
Motor vehicle and heavy machinery	20	20
Plant and general machinery	20	14
Other assets	20	10
ICT equipment and computer software	40	20
Consultation, licensing and incidental fees related to customised computer software development	40	20

Proposal

It is proposed that ACA be given to companies for the following qualifying capital expenditure, which can be fully claimed within 2 years:

Qualifying capital expenditure	Initial allowance %	Annual allowance %
(i) Procurement of heavy machinery from local manufacturers		
(ii) Procurement of plant and general machinery acquired from local manufacturers	20	40
(iii) Purchase of ICT equipment and computer software		
(iv) Consultation, licensing and incidental fees related to customised computer software development		

Effective: For qualifying capital expenditure incurred from 11 October 2025 to 31 December 2026

Commentary

The proposed change allows the ACA for (iii) and (iv) to be fully claimed within 2 years as opposed to 3 years under the existing tax rules.

Meanwhile, further clarification is required to ascertain the scope of the term "local manufacturers" (e.g., whether it extends to local manufacturers owned by foreign companies).



Corporate Tax (cont'd)

Further tax deduction for expenses incurred on artificial intelligence (AI) and cybersecurity training

Currently, a company is eligible for:

- i. tax deduction on expenses incurred for employee training that is directly related to the company's business (i.e., meets the deductibility test under Section 33 of the Act); and
- ii. further tax deduction on expenses incurred on approved training programmes, in both manufacturing and non-manufacturing activities, including the hotel and tourism industries. However, the company is not eligible for the further tax deduction if it has made contributions to Human Resources Development Fund (HRDF).

Proposal

It is proposed that 50% further tax deduction on AI training costs incurred by MSMEs (including those contributing to HRDF) shall be given once in 2 years. The AI training shall be recognised by MyMahir National AI Council for Industry (NAICI).

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

Expansion of double tax deduction for training of care workers

Currently, double tax deduction is available on expenses incurred by companies to sponsor training for persons with disabilities (OKU) who are registered with the Ministry of Women, Family and Community Development (KPWKM), and are not employees of the company.

Proposal

It is proposed that the above double tax deduction be expanded to include expenses incurred on sponsorship of care workers to undergo training programmes in institutions recognised by the KPWKM. Sponsored care workers should not be employees of the company.

Effective: YA 2026 and YA 2027

Extension of further tax deduction on costs incurred for employing vulnerable persons

Currently, further tax deduction is given to employers for hiring ex-convicts, ex-drug dependents, parolees and supervised persons.

In Budget 2023, the tax deduction was further enhanced to cover employment costs of current and former residents of:

- i. Henry Gurney Schools under the Malaysian Prison Department; and
- ii. Cure and care rehabilitation centres as well as non-governmental care centres registered under the Department of Social Welfare.

The further tax deduction is given until YA 2025.

Proposal

It is proposed that the further tax deduction on costs incurred for employing vulnerable persons be extended for another 5 years and to include the following:

- i. Prisoners Released on Licence under the Prisons Act 1995; and
- ii. 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

Extension of further tax deduction on costs incurred for employing senior citizens

Currently, further tax deduction is given to employers for hiring senior citizens aged 60 years and above, subject to the following qualifying conditions:

- i. Employee is hired on a full-time basis;
- ii. Monthly remuneration does not exceed RM4,000;
- iii. Employer and employee are not the same individual; and
- iv. Employee has no familial relationship with the employer.

The further tax deduction is given until YA 2025.

Proposal

It is proposed that the further tax deduction on costs incurred for employing senior citizens be extended for another 5 years.

Effective: YA 2026 to YA 2030



Corporate Tax (cont'd)

Review of tax incentive for scholarships

Currently, double tax deduction is given to companies providing scholarships to students pursuing technical and vocational skills training and higher education at the Diploma, Bachelors, Masters and Doctorate levels, subject to students meeting the following criteria:

- i. Malaysian citizen and resident in Malaysia;
- ii. Pursuing full-time studies;
- iii. No source of income; and
- iv. Monthly income of parents / guardians does not exceed RM10,000.

The double tax deduction is given to companies which have executed scholarship agreement with a student on or after 1 January 2022 but not later than 31 December 2025.

Proposal

It is proposed that the tax incentive for scholarship be reviewed as follows:

- i. The scope of the above double tax deduction be expanded to include qualified professional certification courses;
- ii. The household monthly income requirement for the student's parents / guardians be increased from RM10,000 to a maximum of RM15,000;
- iii. The above double tax deduction be extended for another 5 years.

Effective: YA 2026 to YA 2030

Commentary

It appears that the double tax deduction for providing sponsorship to student pursuing higher education at the Masters and Doctorate levels are to be discontinued for scholarship agreement executed after 31 December 2025.

Review of income tax deduction for cost of listing on Bursa Malaysia

Currently, an income tax deduction of up to RM1.5 million is given for expenses incurred in listing on Bursa Malaysia's Main Market, Access, Certainty, Efficiency (ACE) Market and the Leading Entrepreneur Accelerator Platform (LEAP) Market by technology-based companies and MSMEs as follows:

- i. Fees to Bursa Malaysia and Securities Commission Malaysia (SC);
- ii. Professional fees; and
- iii. Underwriting, placement, and brokerage fees.

The tax deduction is given from the YA 2023 to YA 2025.

Proposal

It is proposed that the above tax deduction be expanded to MSMEs in the energy and utilities sectors as well as extended for another 5 years.

Effective: YA 2026 to YA 2030





Corporate Tax (cont'd)

Review of income tax exemption on sustainable and responsible investment (SRI) sukuk and bond grant scheme

Currently, issuers of Green SRI Sukuk are eligible to apply for Green SRI Sukuk grant provided by the SC through the Capital Market Development Fund (CMDF). This grant is intended to finance 90% of the external review expenses incurred in issuing the sukuk, subject to a maximum amount of RM300,000.

The grant received from the SC by Green SRI sukuk issuers are exempted from income tax from 1 January 2018 to 31 December 2025.

The Green SRI Sukuk Grant has been rebranded as SRI Sukuk and Bond Grant Scheme which covers the issuance of financial instruments approved by the SC as follows:

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

Proposal

It is proposed that:

- i. the grant allocation for 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 the ASEAN Taxonomy for Sustainable Finance; and
- iii. the income tax exemption be extended for another 3 years.

Effective: For applications received by the SC from 1 January 2026 to 31 December 2028

Tax treatment for public university teaching hospitals endowment funds

Currently, the eligible public universities that establish endowment funds are:

- i. Public universities established under the Universities and University Colleges Act 1971; and
- ii. Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976.

The tax treatment accorded to the endowment funds is as follows:

- i. Donors are eligible for tax deduction equivalent to the amount of the cash contribution under Section 44(11D) of the Act, subject to a maximum of 10% of aggregate income, along with approved donations made under Sections 44(6), 44(11B) and 44(11C); and
- ii. Contributions received including the income generated from the endowment funds are exempted from income tax.

Proposal

It is proposed that public university teaching hospitals be allowed to establish endowment funds, and the existing tax treatment (as mentioned above) shall be applied to the endowment funds, provided that the endowment funds are governed and managed solely by the public university teaching hospitals, in line with the prescribed guidelines.

Effective: YA 2026



Corporate Tax (cont'd)

Review of tax exemption for Hospital Welfare Funds

established by private hospitals

Currently, private hospitals registered as companies limited by guarantee (CLBG) that establish hospital welfare funds to provide free/subsidized medical aid and healthcare to the targeted/underprivileged group are eligible for tax exemption under Section 44(6) of the Act.

The tax treatment accorded to the hospital welfare funds is as follows:

- i. Donors are eligible for tax deduction subject to a maximum of 10% of aggregate income; and
- ii. Donation received for the hospital welfare funds are exempted from income tax.

Proposal

The scope of approval is proposed to be expanded to include private hospitals registered as Company Limited by Shares (CLBS).

Conditions:

- i. Holds an operating license under the Private Healthcare Facilities and Services Act 1998 (Act 586).
- ii. Private hospital establishes CLBG specifically to manage welfare fund.
- iii. Accumulated funds in CLBG is limited to an amount which will be ascertained.
- iv. Exemption is applicable only to income received by the welfare fund.
- v. Comply with conditions in the existing guidelines under Section 44(6) of the Act.
- vi. Application for approval of the welfare fund must be submitted to the DGIR.

Effective: To be determined





Tax Incentives

Tax incentive for tourism projects

Existing

Qualifying companies / activities	Tax incentive
Tour operators	<ul style="list-style-type: none"> 100% tax exemption on statutory income (SI) from domestic packages participated by ≥ 200 domestic tourists annually and no minimum requirement for foreign tourists for inbound tourism package Expired after YA 2022
Company, association or organization that promotes and organizes conferences	<ul style="list-style-type: none"> 100% income tax exemption on SI for bringing in ≥ 500 foreign participants per year Effective from YA 1997
Entity whose primary activity is other than promoting and organizing conferences	<ul style="list-style-type: none"> 100% income tax exemption on SI for bringing in ≥ 500 foreign participants per year Effective from YA 2020 to YA 2025
Arts and cultural activities approved by Ministry of Tourism, Arts and Culture (MOTAC), held at Istana Budaya, National Visual Arts Gallery or Petronas Philharmonic Hall	<ul style="list-style-type: none"> Approved activity organisers enjoy a 50% tax exemption on SI derived from the organisation of such activities Effective from YA 2020 to YA 2025
International sports and recreational competitions approved by the Ministry of Youth and Sports	

Proposal

Qualifying companies / activities	Tax incentive
Tour operators	<ul style="list-style-type: none"> 100% tax exemption on incremental income from inbound tourism packages, provided that: <ul style="list-style-type: none"> ✓ Tour operator must bring in $\geq 1,000$ foreign tourists annually ✓ The incremental income is the increase in qualifying income from operating inbound tourism packages to Malaysia during the basis period compared to the income from the preceding basis period Effective from YA 2026 to YA 2027
Company, association or organization that promotes and organizes conferences	<ul style="list-style-type: none"> 100% income tax exemption on SI for organisers verified by MOTAC Conditions for participation of foreign participant per year: <ul style="list-style-type: none"> ✓ Incentive trips $\geq 1,500$ participants; ✓ Conferences $\geq 2,000$ participants; or ✓ Trade exhibitions $\geq 3,000$ participants. Effective from YA 2026 to YA 2027
Entity whose primary activity is other than promoting and organizing conferences	
Arts and cultural activities approved by MOTAC	<ul style="list-style-type: none"> The scope of approved activities will be expanded to include tourism activities, excluding concerts The venue will be broadened to include any location in Malaysia approved by MOTAC Effective from YA 2026 to YA 2027
International sports and recreational competitions approved by the Ministry of Youth and Sports	<ul style="list-style-type: none"> 50% tax exemption on SI to be extended for 2 years Effective from YA 2026 to YA 2027
Tourism project operator registered with MOTAC	<ul style="list-style-type: none"> Tax deduction of up to RM500,000 on qualifying expenses incurred from 11 October 2025 to 31 December 2027 for undertaking renovation and refurbishment works of business premises for business purposes



Tax Incentives (cont'd)

Tax incentive for food security projects

Existing

Qualifying companies	Tax incentive
Investing companies	<ul style="list-style-type: none"> • Tax deduction equivalent to the investment made in subsidiary companies undertaking the approved food production project
Companies undertaking food production projects	<ul style="list-style-type: none"> • New project – 100% income tax exemption on SI for 10 YAs • Expansion project – 100% income tax exemption on SI for 5 YAs

The above tax incentive is effective for applications received by Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2025.

Note: The above incentive has yet to be gazetted.

Proposal

Qualifying companies	Tax incentive
Companies undertaking new projects	<ul style="list-style-type: none"> • 100% income tax exemption on SI for 10 YAs • Applicable to income derived from domestic sales
Existing companies undertaking expansion projects	<ul style="list-style-type: none"> • 100% income tax exemption on SI for 5 YAs • Applicable to income derived from domestic sales

Effective: Applications received by the MAFS from 1 January 2026 to 31 December 2030.

Tax incentive for chicken rearing in closed-house system

Existing

Category	Tax incentive
Chicken rearers adopting environmentally-friendly closed-house system	<ul style="list-style-type: none"> • 100% ACA on qualifying capital expenditure; • 100% income tax exemption on qualifying capital expenditure; and • Applications received by MAFS from 1 January 2023 to 31 December 2025.
Automation in the agriculture sector	<ul style="list-style-type: none"> • 100% ACA on the first RM10 million of the qualifying capital expenditure; • 100% income tax exemption equivalent to the amount of qualifying capital expenditure; • Eligible activities: planting, livestock farming, apiculture, aquaculture and capture fisheries activities; and • Applications received by MAFS from 1 January 2023 to 31 December 2027.

Note: The above incentive has yet to be gazetted.

Proposal

The tax incentive for automation in the agriculture sector will be expanded to include rearing chicken in closed-house system.

Effective: Applications received by MAFS from 1 January 2026 until 31 December 2027.



Tax Incentives (cont'd)

Tax incentives for venture capital

Currently, tax incentives for venture capital include the following:

Taxpayer	Description
Venture capital company (VCC)	<ul style="list-style-type: none"> Tax exemption on SI derived from all sources of income (except interest income from savings or fixed deposits and profits from Syariah-based deposits) up to a period of 5 YAs or the YAs equivalent to the remaining life of the fund established for the purpose of investing in a venture company (VC), whichever is the lesser. At least 50% of its invested funds in the form of seed capital, start-up and early-stage financing in the VC. The VCC must be registered with SC no later than 31 December 2023, while the first certification by SC must be obtained no later than 31 December 2026.
Venture capital management company (VCMC)	<ul style="list-style-type: none"> Tax exemption on share of profits, management fee and performance fee from VCC until YA 2026

Effective: YA 2018

Proposal

To further encourage investments by VCC, the tax incentives for venture capital are reviewed as follows:

Taxpayer	Description
VCC	<ul style="list-style-type: none"> Special income tax rate of 5% on all income of the VCC, except for interest / profit income derived from savings, fixed deposits, or deposits. The VCC is required to invest a minimum of 20% of its funds in local venture companies. The tax incentive is given for 10 years or for the remaining life of the fund starting from the year the VCC obtains its first certification from SC. The first certification by SC must be obtained no later than 31 December 2035. VCC to include companies, entities incorporated under the Limited Liability Partnerships Act 2012 and the Labuan Limited Partnerships and Limited Liability Partnerships.
VCMC	<ul style="list-style-type: none"> Special income tax rate of 10% on income derived from the share of profits, management fees and performance fees from YA 2025 to 2035.

Effective: YA 2025





Tax Incentives (cont'd)

Green investment tax allowance (GITA) (own consumption)

In Budget 2024, the green technology tax incentives announced include the following:

GITA asset (own consumption)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
Tier 1	100%	70%	Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026 and verified by the Malaysian Green Technology and Climate Change Corporation
i. List of qualifying assets approved by Minister of Finance ii. Battery Energy Storage System iii. Green Building			
Tier 2	60%	70%	
i. List of qualifying assets approved by Minister of Finance ii. Renewable Energy System iii. Energy Efficiency			

Note: The above incentive has yet to be gazetted

Proposal

It is proposed that 100% GITA for own consumption be granted to companies that use green technology products within the local manufacturing supply chain, certified with MyHIJAU Mark.

Effective: To be determined via a subsidiary legislation

Extension of tax incentive for commercialisation of research & development findings

Currently, a tax deduction shall be allowed for a company that invests in a subsidiary company that commercialises non-resource-based Research & Development findings by public research institutions or public or private institutes of higher learning in Malaysia.

This applies to applications received by MIDA between 7 November 2020 and 31 December 2025.

Proposal

To elevate productivity and drive national competitiveness, it is proposed that the tax deduction be extended for 5 years.

Effective: Applicable for applications received by MIDA from 1 January 2026 to 31 December 2030.

Special tax deduction for conversion and renovation of commercial buildings into residential premises

Existing

Expenses incurred for renovation and conversion of commercial buildings into residential premises are capital in nature and do not rank for tax deduction.

Proposal

Expenses incurred for renovating and converting commercial buildings into residential premises be given a special tax deduction of 10% of the qualifying expenditure, capped at RM10 million.

Effective: To be announced

Commentary

Clarification is required on what constitutes a qualifying expenditure and whether the deduction is limited to just renovation and refurbishment, or would it include demolition and reconstruction as well.



Tax Incentives (cont'd)

ACA on the cost of purchasing speed limitation devices (SLD) for heavy vehicles

Currently, capital expenditure incurred for general assets such as SLD used in a business is entitled to capital allowance based on the following rates:

- Initial allowance of 20%; and
- Annual allowance of 10%.

Proposal

To support efforts in reducing road accidents through the installation of SLD on heavy vehicles, ACA consisting of a 20% initial allowance and an 80% annual allowance will be given on the expenditure for purchasing SLD, up to RM 4,000 per unit, subject to the following conditions:

- i. the SLD retrofit installation must be certified by a Verification Body recognized by the Road Transport Department.
- ii. 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:
 - goods vehicles with a Gross Vehicle Weight (GVW) > 3,500 kg; and
 - passenger vehicles with a GVW > 5,000 kg and designed to carry more than 8 passengers.
- iii. ACA is not claimable for SLD replacement

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





Indirect Tax

Introduction of carbon tax

Proposal

Initially proposed in Budget 2025, carbon tax has been reiterated to be introduced by the year 2026, to be applicable to industries in the iron and steel sector and energy sector in Malaysia. To ensure the effective implementation of carbon tax, its mechanisms will accordingly be aligned with the policies under the National Carbon Market Policy and the National Climate Change Bill.

Effective: Year 2026

Commentary

The introduction of carbon tax is part of Malaysia's broader strategy to reduce its carbon emissions, in line with global initiatives in dealing with climate change. Carbon tax is likely to be imposed on industries based on their respective carbon dioxide (CO2) emissions, thereby incentivising such industries to adopt cleaner and more sustainable practices. The levy of carbon tax is aimed to encourage the use of low-carbon technologies.

Further details, such as the exact tax rates and how the system will be implemented, are still awaited.

Digital tax stamps

Proposal

It is proposed that digital tax stamps with enhanced security features be introduced as part of the efforts to strengthen tax compliance and prevent counterfeiting. The initiative, led by the RMCD, aims to curb revenue leakages at entry points through the use of Centralised Screening Complex CCTV. This measure supports the government's commitment to modernising tax administration and enhancing transparency under the Ekonomi MADANI framework.

Effective: To be determined

Commentary

The introduction of digital tax stamps represents a significant step toward improving enforcement and reducing illicit trade. By leveraging technology and security features, this initiative is expected to enhance traceability and accountability across the supply chain. It also aligns with global best practices in tax administration and reflects Malaysia's broader strategy to strengthen revenue collection and governance.

Further details, such as the implementation timeline, scope of products covered, and compliance requirements for businesses, are still awaited.

Limitation on vehicle tax exemption in Langkawi and Labuan

Currently, motor vehicles purchased and imported by individuals into Langkawi and Labuan do not attract import duty, excise duty and sales tax.

Proposal

The vehicle tax exemption in Langkawi and Labuan will be limited to vehicles valued at not more than RM300,000.

Effective: 1 January 2026

Commentary

Though no elaboration was provided, the value limit mentioned above may likely be applied to allow the imposition of import duty, excise duty and sales tax for the importation of motor vehicles into Langkawi and Labuan. This is part of the government's effort to reduce the misuse / abuse of the tax exemption policy for Langkawi and Labuan. More details should be observed in respect to this matter.

Excise duty and sales tax exemption on national car purchases by taxi and private hire car owners

Excise duty and sales tax exemptions are currently granted on the sale / transfer / private use / disposal of budget taxis and hired cars, as well as individually owned taxis and hired cars (subject to conditions).

Proposal

The 100% excise duty and sales tax exemption will be continued for eligible taxi and private hire car owners who purchases new national cars, i.e., "Proton" and "Perodua". No specific end date is indicated for the abovementioned exemption.

Commentary

The above tax exemption can be seen as an extension to the tax exemption given by the government to the taxi and private hire car owners from the Budget 2023 announcement.

It is also notable that the above exemption explicitly states that the excise duty and sales tax exemption for the newly purchased cars by the taxi and private hire car owners will only be limited to "Proton" and "Perodua" models.

The relevant tax authorities have yet to release any guidance or further details with respect to the above exemption.



Indirect Tax (cont'd)

Increase in excise duty on cigarettes and other tobacco products

Cigarettes and other tobacco products are currently subject to excise duties as below:

Description	Tariff code	Current excise duty rate
Cigarette (Note)	2402.20.2000	40 sen per stick
	2402.20.9000	@ RM8 per packet
	2402.90.2000	
Cigars, cheroots and cigarillos	2402.10.0000	RM400 per kilogramme
Heated tobacco products	2404.11.0000	RM778 per kilogramme of tobacco content

Note: One packet contains 20 cigarette sticks.

Proposal

The excise duty rate for cigarettes is proposed to be increased in phases, starting with an increase of 2 sen per stick, or 40 sen per packet. The excise duty rate for cigars, cheroots and cigarillos is proposed to be increased in phases, starting with an increase of RM40 per kilogram. For heated tobacco products, the excise duty rate is set to increase in phases, starting with an increase of RM20 per kilogram of tobacco content.

Below is a summary of the in-scope products and the corresponding new excise duty rates.

Description	Tariff code	Revised excise duty rate
Cigarette (Note)	2402.20.2000	42 sen per stick @ RM8.40 per packet
	2402.20.9000	
	2402.90.2000	
Cigars, cheroots and cigarillos	2402.10.0000	RM440 per kilogramme
Heated tobacco products	2404.11.0000	RM798 per kilogramme of tobacco content

Note: One packet contains 20 cigarette sticks.

Effective: 1 November 2025

Commentary

The proposal is in-line of the country's national health agenda in reducing the consumption of smoking products.

That said, we can expect further measures to increase these excise duty rates since this is only the first phase of a multi-phased approach.

Manufacturers and traders dealing in these products may face higher operating costs as a result of this measure. Businesses should consider the transitional implications of this rate change, particularly for transactions that straddle the change.

Extension and expansion of import duty and sales tax exemption on Nicotine Replacement Therapy (NRT) products

Currently, nicotine gum and nicotine patch are exempted from import duty and sales tax effective from 1 April 2023 to 31 March 2026.

Proposal

It is proposed that:

- Import duty and sales tax exemption on nicotine gum and nicotine patch be extended to 31 December 2027; and
- 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: For applications received by the MOF from 11 October 2025 to 31 December 2027.

Commentary

The expansion of this exemption appears to align with the country's goals of reducing consumption of cigarette or tobacco products (through increased excise duty rates)



Indirect Tax (cont'd)

Increase in excise duty on alcoholic beverages / products

Alcoholic beverages / products are currently subject to excise duties at the following rates:

Description	Tariff code	Current excise duty rate
Beer	22.03	RM175 per 100% vol. per litre
Sparkling wine	2204.10.0000	RM450 per 100% vol. per litre
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	RM150 per 100% vol. per litre
Cider and perry, sake, shandy, wine (vegetables & 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	RM60 per 100% vol. per litre
Samsu (including medicated samsu)	2208.90.1000 2208.90.2000 2208.90.3000 2208.90.4000	RM60 per 100% vol. per litre
Coconut palm toddy, mead, bitters	2206.00.3100 2206.00.3900 2206.00.5000 2206.00.9900 2208.90.7000 2208.90.8000	RM40 per 100% vol. per litre
Undenatured ethyl alcohol	2207.10.0000	RM22.50 and 15% per 100% vol. per litre
Ethyl alcohol and other spirits	2207.20	RM1.10 and 15% per 100% vol. per litre

Proposal

It is proposed that excise duty on alcoholic beverages be increased by 10%.

Effective: 1 November 2025

Commentary

The proposed 10% increase in excise duty on alcoholic beverages under Budget 2026 is driven largely by public health objectives to reduce access to, and consumption of, alcoholic beverages.

The revenue generated is expected to be distributed to the Ministry of Health to support treatment and prevention of non-communicable diseases.

That said, manufacturers and traders dealing in these products may face higher operating costs as a result of this measure. Businesses should consider the transitional implications of this rate change, particularly for transactions that straddle the change.





Individual Tax

Income tax on profit distribution received by individual partners from a limited liability partnership

Currently, the income tax treatment for an LLP is as follows:

- i. income received by an LLP is taxed at the corporate tax rate of 15%, 17% and/or 24%; and
- ii. profit distributions from LLP received by partners are exempt from tax under Paragraph 12C, Schedule 6, the Act.

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

Proposal

It is proposed that profits derived from Malaysia which are paid, credited, or distributed (whether in cash or in kind) by an LLP to the individual partners exceeding RM100,000 are treated as the SI of the individual partner and will be subject to tax at the rate of 2%. Distribution of profits in kind shall be valued at its market value at the time of the distribution of the profits.

Consequently, Paragraph 12D, Schedule 6 of the Act is inserted to exempt profit not exceeding RM100,000 which is paid, credited or distributed to individual partner by an LLP.

Effective: YA 2026

Commentary

Based on the details provided in Appendix 7 of Budget 2026, the prescribed formula for calculating the chargeable income from profit distribution from an LLP is as follow:

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

A = Profit distributions received from LLP (deemed as statutory income of partner)

B = Aggregate income of partner

C = Chargeable income of partner

D = Chargeable income from profit distributions from LLP

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

Income tax exemption on dividends distributed by venture capital companies to individual shareholders

Currently, the tax incentives for investing in VCC and VC are:

- i. Investment in VCC – An individual with a source of business income that invests in a VCC fund is given a tax deduction equivalent to the amount of investment made in the VCC, subject to a maximum of RM20 million.
- ii. Investment in VC - An individual with a source of business income that invests in a VC is given a tax deduction equivalent to the amount of investment made in the VC.

Proposal

To further encourage investment in a VCC, it is proposed that dividends paid, credited or distributed to individual shareholders of a VCC at the first level be exempted from income tax.

This measure is expected to be made into law via Federal Gazette.

Effective: YA 2025 to YA 2035

Residence Pass-Talent (RP-T) Fast Track

Currently, to be considered for the RP-T, applicants have to fulfill the following criteria:

- Has worked in Malaysia for a minimum of three (3) consecutive years at the time of application.
- Holds a valid Employment Pass with more than 3 months validity during the submission/resubmission of the application.
- Earns a basic monthly salary of RM15,000 which excludes any allowances and/or bonuses.
- Has a Malaysian income tax file number and has paid income tax for the most recent 2 years (minimum) at the time of application. Yearly basic salary declared should align with the minimum basic monthly income (at least RM180,000 per annum).
- Holds a PhD/Master's/Bachelor's Degree or Diploma in any discipline from a recognised university or a professional/ competency certificate from a recognised professional institute.
- Possesses at least 5 years of total work experience.

Proposal

The government will have a set of new criteria to expedite the entry of highly skilled foreign talents by introducing the RP-T Fast Track and by waiving the 3 years Employment Pass requirement. We expect further guidance will be forthcoming from the relevant authorities.

Effective: To be determined



Individual Tax (cont'd)

Personal reliefs

Personal relief	Current	Proposal	Effective Date
Medical expenses for serious diseases incurred for self, spouse or child – <i>expansion in scope and increase in limit of sub-relief</i>	<p>Relief for vaccination expenses incurred for self, husband / wife or children are only limited to the following vaccines:</p> <p>I. Pneumococcal; II. Human papillomavirus (HPV); III. Influenza; IV. Rotavirus; V. Varicella; VI. Meningococcal; VII. Tetanus, diphtheria, and acellular pertussis (Tdap); and VIII. Coronavirus Disease 2019 (COVID-19).</p>	<p>The type of vaccines eligible for relief will be expanded to all vaccines registered with the National Pharmaceutical Regulatory Agency, Ministry of Health Malaysia.</p>	YA 2026
	<p>Relief for screening expenses incurred for detection, early intervention programmes and continuous rehabilitation treatment for children with learning disabilities aged 18 years and below, is claimable up to RM6,000.</p>	<p>The limit of the relief specifically for these expenses are increased to RM10,000.</p>	YA 2026
Medical treatment, special needs and carer expenses for parents / grandparents	<p>Relief of up to RM 8,000 for medical treatment, special needs and carer expenses for parents / grandparents includes:</p> <p>i. Dental treatment ii. Medical care and treatment at clinics and hospitals; treatment and homecare nursing, day care centers and nursing home iii. Complete medical examination, including any vaccination (limited to RM1,000)</p>	<p>All vaccines eligible for relief must be vaccines registered and approved for use by National Pharmaceutical Regulatory Agency, Ministry of Health only.</p>	YA 2026
Fees paid to childcare centres and kindergartens – <i>expansion in scope</i>	<p>Relief of up to RM2,000 is given on fees paid for childcare of children aged up to 6 years old at the following eligible childcare premises:</p> <p>I. Childcare Centres (TASKA) registered with the Department of Social Welfare; or II. Kindergartens (TADIKA) registered with the Ministry of Education Malaysia.</p> <p>A further time bound tax relief of RM1,000 was introduced from YA 2020 to 2027. This tax relief can only be claimed by either parent.</p>	<p>The current total tax relief limit of RM3,000 (i.e., RM2,000 + RM1,000) will be made permanent, claimable by either parent, irrespective of number of children and made to the following care centres:</p> <ul style="list-style-type: none"> For children aged 6 years and below, a child care centre registered under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996. For children aged 12 years and below, a care centre registered under the Care Centres Act 1993. 	YA 2026



Individual Tax (cont'd)

Personal reliefs (cont'd)

Personal relief	Current	Proposal	Effective Date
Relief on entrance fees to tourist attractions and cultural programmes – <i>new</i>	<p>Currently there is no relief in place, though a similar relief was offered during YA 2020 to 2022 for the following :</p> <ul style="list-style-type: none"> I. accommodation at premises registered with the Ministry of Tourism, Arts and Culture (MOTAC); II. entrance fees to tourist attractions; and III. purchase of domestic tourism packages through licensed travel agents registered with the MOTAC. 	<p>Relief of up to RM1,000 is allowed for entrance fees to a tourist attraction or for a cultural and arts programme.</p>	YA 2026 only
Relief for environmental sustainability and home safety-related expenditure – <i>expansion in scope</i>	<p>Relief of up to RM2,500 is provided for environmental sustainability-related expenses as follows:</p> <ul style="list-style-type: none"> I. purchase, rental and installation cost including hire-purchase equipment or subscription fees for EV charging facilities from YA 2022 to 2027; or II. purchase of household food composting machine, claimable once within a period of 3 years from YA 2025 to 2027. 	<p>This relief will be expanded to include:</p> <ul style="list-style-type: none"> I. payment of installation or purchase of food waste grinder machine used for the household purpose of the individual for YA 2026 and 2027; or II. payment of installation or purchase of closed-circuit television used for the household purpose of the individual for YA 2026 and 2027. <p>Expenses incurred on both items above are claimable only once in their respective YAs.</p> <p>The overarching relief limit of RM2,500 remain unchanged.</p>	YA 2026 and YA 2027 only
Life insurance premiums/ Takaful contributions – <i>expansion in scope</i>	Relief is provided for life insurance premiums or takaful contributions for self or spouse up to RM3,000.	<p>It is proposed that this relief be expanded to encompass life insurance premiums or takaful contributions for children.</p> <p>Refer below for the additional clarity proposed on eligibility criteria for children.</p>	YA 2026
Life insurance premiums/ takaful contribution, education and medical insurance premiums - additional eligibility criteria for insured children	Currently, the eligibility criteria is limited to legitimate child, step-child, or adopted child under section 48(9) of the Act.	<p>It is proposed that the "child" qualifying for relief is further restricted as follows:</p> <ul style="list-style-type: none"> • under the age of eighteen years and unmarried; • who attains the age of eighteen years and above, unmarried and is receiving full-time instruction at any university, college, school or other similar educational establishment; • who is unmarried and is serving under articles or indentures with a view to qualifying in a trade or profession; or • who is unmarried and physically or mentally disabled in accordance with any written law. 	YA 2026



Stamp Duty

New Definition of "Residential Property"

Proposal

It is proposed that a new definition of "Residential Property" be inserted under Section 2 of the SA as follows:

"residential property" means a house, condominium, apartment, flat, service apartment or small office home office solely to be used as a dwelling house.

Effective: 1 January 2026

Penalty for Late Stamping

Currently, penalties for late stamping are provided as follows:

- i. Brought for stamping within 3 months of due date of stamping: RM50 or 10% of deficient duty, whichever is higher.
- ii. Brought for stamping after 3 months of due date of stamping: RM100 or 20% of deficient duty, whichever is higher.

Proposal

It is proposed that the above late stamping penalty to be imposed on late submission of return and late payment of stamp duty under the stamp duty self assessment system.

Effective: 1 January 2026

Final Assessment under Stamp Duty Self Assessment System (SDSAS)

Currently, the IRBM is empowered to raise additional assessments under Section 36CA of the SA within a period of 5 years (no time limit in case of fraud, wilful default or negligence) if it is found that no sufficient assessment has been made.

Proposal

It is proposed that an assessment raised under stamp duty self assessment system is not final and conclusive if the IRBM determines that no sufficient assessment has been made under Section 36CA.

Effective: 1 January 2026

Review of Penalty / Fine

The following penalties / fines will be reviewed:

No. Offence	Current	Proposed
1. Registration of instruments of transfer of debentures or shares (executed abroad) is not duly stamped	Fine not exceeding RM250	Fine not less than RM1,000 and not exceeding RM10,000
2. Failure to pay the compound duty to the Collector within the fixed period on or before the 14 th day of the next month	Penalty of RM200 or 10% of amount payable, whichever is higher	Penalty of RM500 or 20% of amount payable, whichever is higher
3. Offence of failing to disclose all facts and circumstances in an instrument duly executed with the intention of evading payment of duty	Fine not exceeding RM2,500	Fine not less than RM2,500 and not exceeding RM50,000
4. Offence of executing and signing documents that have not been duly stamped	Fine not exceeding RM1,500	Fine not less than RM1,000 and not exceeding RM10,000
5. Offence for failing to execute and transfer a contract note	Fine not exceeding RM1,500	Fine not less than RM1,000 and not exceeding RM10,000
6. Offences relating to stamp certificates, such as selling or falsifying stamp certificates and others	Fine not exceeding RM5,000	Fine not less than RM2,500 and not exceeding RM50,000

Effective: 1 January 2026



Stamp Duty (cont'd)

Stamp duty payment

Currently, Section 36(2) of the SA provides that duty payable on the instrument shall be due and payable on the day the assessment is deemed by the Collector of Stamp Duties (Collector).

Proposal

It is proposed that if a return and an instrument are furnished:

- Within the prescribed period under Sections 43 and 47 of the SA, the duty payable on the instrument shall be due and payable within 30 days from the date the assessment is deemed by the Collector.
- Not within the prescribed period under Sections 43 and 47 of the SA, the duty payable on the instrument shall be due and payable within 30 days from the date the assessment is deemed by the Collector together with the penalty payable under Section 47A of the SA.

Effective: 1 January 2026

Refund of stamp duty

Currently, Section 77A(1)(f) of the SA does not allow a registered person to obtain a refund from the Collector for duty paid as a result of an error or mistake.

Proposal

It is proposed that a registered person may obtain a refund from the Collector for the duty paid in the case of an application for relief in respect of error or mistake made on an electronic medium.

Effective: 1 January 2026

Person liable to pay stamp duty on instrument for an exchange of real property

Currently, Item 7 of the Third Schedule to the SA provides that the duty on the instrument for an exchange of real property is payable equally by the parties involved.

Proposal

Stamp duty on the instrument for an exchange of real property shall be payable by each transferee or grantee.

Effective: 1 January 2026

Commentary

According to the presentation by IRBM at SPK 2025 (Budget 2026), duty shall be payable by each transferee according to the value of the real property acquired.

Remission of penalty for offences under Stamp Duty Self Assessment System

Currently, Section 72D of the SA outlines the penalties for the submission of incorrect stamp duty returns under the SDSAS.

Proposal

Based on the presentation slides of the *Seminar Percukaian Kebangsaan 2025* (Budget 2026), a remission of penalties may be allowed for offences relating to the submission of incorrect returns under the SDSAS.

Effective: 1 January 2026 to 31 December 2026

Commentary

This proposal is not reflected in the Finance Bill and Tax Bill and we expect the issuance of subsidiary legislation for such remission.

Review of wage threshold for stamp duty exemption on employment contract

Currently, the stamp duty exemption listed under Item 4, First Schedule of the SA includes, among others, any agreement or memorandum for service or personal employment where the wages do not exceed RM300 per month.

Proposal

It is proposed that the wage threshold for stamp duty exemption on any agreement or memorandum for service or personal employment be increased from RM300 per month to RM3,000 per month under Item 4(b), First Schedule of the SA.

Effective: 1 January 2026

Extension of stamp duty exemption for the purchase of first residential home

Currently, a 100% stamp duty exemption is given on all instruments of transfer and any loan agreement executed for the purchase of a first residential property valued at not more than RM500,000 by a Malaysian citizen individual. This applies where the sale and purchase agreement for the residential property is executed on or after 1 January 2021 but not later than 31 December 2025.

Proposal

The 100% stamp duty exemption on instruments of transfer and loan agreements for the purchase of a first residential home priced up to RM500,000 will be extended for 2 years.

Effective: Applies to sale and purchase agreements executed from 1 January 2026 to 31 December 2027.



Stamp Duty (cont'd)

Review of stamp duty on property ownership by non-citizens

Currently, the instrument for sale of any property [except stock, shares, marketable securities and accounts receivables or book debts of the kind mentioned in Item 32(c)] to a foreign company or a person who is a non-citizen and not a permanent resident is subject to stamp duty at a flat rate of 4% under Item 32(aa), First Schedule of the SA, based on the value of the consideration or the market value of the property, whichever is higher.

Proposal

The instrument for sale of any residential property to a foreign company or a person who is not a citizen and not a permanent resident be subject to a flat rate of 8% under Item 32(ab), First Schedule of the SA, based on the value of the consideration or the market value of the property, whichever is higher.

Consequently, Item 32(aa) will be amended to exclude residential property from being subject to the existing flat rate of 4%.

Additionally, proposed amendments are to be made in Sections 12A, 17, 20 and 20B of the SA to introduce the reference to Item 32(ab) which relates to instruments for sale of any residential property to a foreign company or a person who is a non-Malaysian citizen and not a permanent resident.

Effective: 1 January 2026

Exemption of stamp duty on contract notes for buy-side transaction of structured warrants

Currently, each contract note for sale and purchase transactions of structured warrants is subject to stamp duty at a rate of 0.1% but capped at RM200.

Proposal

It is proposed that the contract notes for buy-side structured warrant transactions be exempted from stamp duty for 3 years.

Effective: Applies to contract notes for buy-side structured warrant transactions which are executed from 1 January 2026 to 31 December 2028.

Extension of stamp duty exemption on contract notes for exchange-traded funds listed on Bursa Malaysia

Currently, a 100% stamp duty exemption is given on a contract note executed for the sale and purchase transaction of exchange-traded fund approved by the SC under the Capital Markets and Services Act 2007 in Bursa Malaysia. This applies to contract note executed on or after 1 January 2018 but not later than 31 December 2025.

Proposal

The stamp duty exemption on contract notes for exchange-traded funds transactions shall be extended for 3 years.

Effective: Applies to exchange-traded funds transactions from 1 January 2026 to 31 December 2028.

Extension of stamp duty exemption on insurance policies or takaful certificates with low annual premium / contribution

Currently, a 100% stamp duty exemption applies to any insurance policies or takaful certificates issued by a licensed insurer or licensed takaful operator on or after 1 January 2022 but not later than 31 December 2025, for the following categories:

- i. MSMEs with an annual premium or takaful contribution not exceeding RM250; or
- ii. individuals with an annual premium or takaful contribution not exceeding RM150.

Proposal

The 100% stamp duty exemption on insurance policies and takaful certificates with low annual premiums or contributions for individuals and MSMEs shall be extended for 3 years.

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



Stamp Duty (cont'd)

Extension of stamp duty exemption for Perlindungan Tenang products

Currently, a 100% stamp duty exemption applies to any insurance policies or takaful certificates for Perlindungan Tenang products issued by a licensed insurer or licensed takaful operator on or after 1 January 2019 but not later than 31 December 2025, with an annual premium or takaful contribution not exceeding RM150.

Proposal

The 100% stamp duty exemption on insurance policies and takaful certificates for all Perlindungan Tenang products shall be extended for 3 years.

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

Application for stamp duty refund on rescinded contract or agreement which is chargeable as conveyances on sale under Section 21 of the SA

Currently, the Collector shall refund the ad-valorem duty paid upon any contract or agreement which is later rescinded, annulled, or for any other reason not substantially performed or carried out in a manner that results in a conveyance or transfer.

Proposal

It is proposed that an application for a refund of ad-valorem duty paid for any contract or agreement on sale that is subsequently rescinded, shall be made to the Collector within 24 months after the date of the instrument by the person who first or solely executed it.

Effective: 1 January 2026

Furnishing of a return

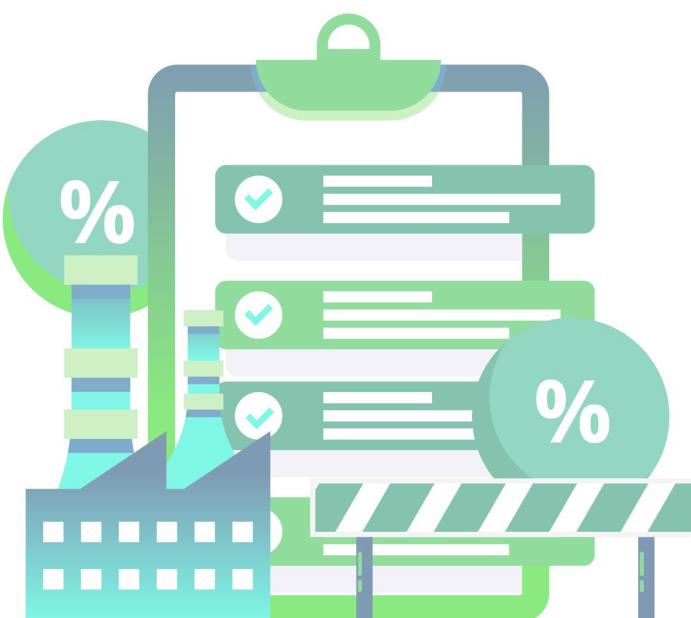
Currently, Section 35A(2) of the SA provides that a return for a YA shall –

- i. specify the description of instrument and the amount of duty with which the instrument is chargeable; and
- ii. contain such particulars as may be required by the Collector.

Proposal

It is proposed that the wordings “for a YA” be deleted to clarify that a return shall be furnished together with an instrument which has been executed and chargeable with duty, without making reference to any YA.

Effective: 1 January 2026





Real Property Gains Tax

Treatment of unabsorbed losses on disposal of assets

Currently, Section 7(4)(b) of the RPGTA provides that any unabsorbed losses from the disposal of a chargeable asset is allowed to be utilised for set-off against chargeable gains from the disposal of other chargeable assets in subsequent YAs until the losses are fully absorbed.

Proposal

It is proposed that the unabsorbed losses can only be carried forward for 10 consecutive YAs and any balance shall be disregarded after the end of the 10 consecutive YAs.

A transitional provision is also introduced to allow any unabsorbed losses that arose prior to YA 2026 to be carried forward until YA 2035 and any balance shall be disregarded in YA 2036.

Effective: YA 2026

Responsibility of acquirer to retain and pay sum to DGIR

Currently, the sum to be retained and remitted to DGIR by the acquirer under Section 21B of RPGTA would be:

- the whole amount of money consideration; or
- 3% / 5% / 7% (depending on the category of the disposer under Schedule 5) of the total value of the consideration;

whichever is lesser.

Proposal

The sum to be retained and remitted to DGIR by the acquirer under Section 21B of RPGTA would be:

- i. the whole amount of money consideration; or
- ii. 3% / 5% / 7% (depending on the category of the disposer under Schedule 5) of the total value of the consideration; or
- iii. tax deemed assessed under Section 14(1) of the RPGTA;

whichever is lesser.

Retention option (c) may only apply if the notification under the new Section 13(9) is received electronically by the acquirer prior to the retention sum under the option (a) or (b) is paid to the DGIR.

It is also proposed that the DGIR may under special circumstances allow extension of time for the payment of retention sum.

Effective: 1 January 2026

Notification to acquirer of tax payable amount by disposer

Currently, there is no provision under the RPGTA that allows a disposer to notify the acquirer of the tax payable on the chargeable gain for a disposal of a chargeable asset for the purpose of a retention sum under Section 21B of the RPGTA.

Proposal

In line with the amendment to Section 21B, two new subsections, Section 13(8) and Section 13(9) of the RPGTA will be introduced.

Section 13(8) allows a disposer to notify the acquirer of the tax payable amount for the disposal in the return under Section 13(1) for the purposes of Section 21B. Meanwhile, Section 13(9) provides that such notification shall be deemed served on the acquirer by the disposer on an electronic medium or by way of electronic transmission on the date such return is electronically submitted to the DGIR.

Effective: 1 January 2026

Payment of RPGT by instalments for deemed assessment

Currently, the DGIR may allow payment of tax by instalments only on tax payable under the formal assessment.

Proposal

It is proposed that Section 21(3) of RPGTA be amended to empower the DGIR to allow tax payment by instalments for tax or additional tax deemed assessed which is due and payable under Section 21(1A) or (1B) of the RPGTA under the self-assessment system.

Effective: 1 January 2026

Mandatory submission of amended return electronically

Currently, Section 13A of the RPGTA does not specify the mode for furnishing an amended RPGT return prescribed by the DGIR.

Proposal

Following the introduction of RPGT self-assessment system, a new Section 13A(1A) of the RPGTA will be introduced to provide that the amended return shall be furnished to the DGIR in the prescribed form on an electronic medium or by way of electronic transmission.

Effective: 1 January 2026



Real Property Gains Tax (cont'd)

Request for appeal on application for a relief other than in respect of error or mistake via a prescribed form

Section 19A(5)(a) of the RPGTA states that where an applicant is aggrieved by the DGIR's decision on the application for a relief other than in respect of error or mistake, the applicant may request in writing (with no specific form) to the DGIR to forward the application to the Special Commissioners of Income Tax (SCIT).

Proposal

Section 19A(5)(a) will be amended to provide that the request for an appeal to be forwarded to the SCIT shall be furnished to the DGIR in a prescribed form.

Effective: 1 January 2026

Commentary

The proposed amendment to Section 19A(5) appears to be a rectification to align with Section 19(5) which provides that an appeal on application for a relief in error or mistake shall be made in a prescribed form for the DGIR to forward it to the SCIT.

Penalty for failure to furnish documents

Currently, there is no provision in the RPGTA to address penalty for failure to furnish specific return, document, or information within a time specified in the notice, which shall not be less than 30 days from the date where the notice is served.

Proposal

Any failure to submit the required return, document, or information within the time specified in the notice shall constitute an offence and on conviction shall be liable to:

- A fine of not more than RM2,000;
- Imprisonment for a term not exceeding one year; or
- Both being imposed concurrently.

Effective: 1 January 2026

Director General has power to revoke any appointment as agent

Currently, the DGIR is empowered to appoint any person to be the agent of any other person. However, there is no provision in the RPGTA for the Director General to revoke its appointment of any agent.

Proposal

A new Section 51(1A) will be introduced to allow the Director General to revoke at any time the appointment of agent by issuing a written notice.

Effective : 1 January 2026





Labuan

Global Sukuk Tokenisation and Climate Sukuk under Labuan International Business and Financial Centre (IBFC)

Labuan IBFC aims to strengthen its position as a Digital Islamic Finance Hub with the introduction of Global Sukuk Tokenisation for sukuk digitisation and retail throughout digital exchanges in Labuan IBFC. Additionally, Climate Sukuk will be introduced to finance green projects and provide dividends in the form of carbon credit.

Effective: To be determined

Penalty restructuring

Currently, the regulations made under Section 21 of the LBATA may prescribe a penalty of a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding 2 years or to both for any contravention or failure to comply with any of the provisions of the regulations.

Proposal

It is proposed that the penalty under the LBATA to be restructured as follows:

- i. Imposition of civil penalty under the Rules issued through the power of the Minister in the case where no prosecution is instituted.
- ii. A minimum fine of RM20,000 is imposed for criminal offence where prosecution is instituted.

Effective: 1 January 2026

Commentary

This proposal is not reflected in the Finance Bill and Tax Bill. It is hoped the restructured penalty will only be applicable to regulations that are made by the MOF on or after 1 January 2026.

Authorisation for filing of forms electronically

Currently, the authorisation to file any prescribed form under the LBATA electronically by tax agent is given in writing.

Proposal

It is proposed that employees of the Labuan entity may be authorised to file any form as determined by the DGIR electronically.

In addition, the authorisation to file any form as determined by the DGIR by tax agents and employees is to be given by a form, by way of electronic medium.

Effective: 1 January 2027

Definition of "tax agent"

Currently, "tax agent" is not defined in the LBATA.

Proposal

It is proposed that the LBATA be amended to include a definition for "tax agent" for the purpose of filing returns electronically on behalf of a Labuan entity. The term "tax agent" under the LBATA shall have the same meaning assigned to it in Section 153 of the Act (i.e., any professional accountant or person, approved by the MOF).

Effective: 1 January 2026

Use of forms as determined by the DGIR

Currently, the relevant prescribed forms are used in connection with the operation of the LBATA.

Proposal

It is proposed that the DGIR may, in such manner as he deems fit, determine the forms as are required by the LBATA in connection with the operation of the LBATA.

Effective: 1 January 2026



Labuan (cont'd)

Authorised officer

Proposal

It is proposed that the DGIR be empowered to authorise any officer or other official to exercise the powers conferred under the LBATA, and any such officer or official will be deemed an "authorised officer" within the meaning of the LBATA. The DGIR shall issue an authority card to each authorised officer, who must produce the card upon demand when exercising powers under Section 22D of the LBATA.

Effective: 1 January 2026

Procedure where none laid down

Currently, Section 28 of the LBATA provides that where an act or procedure is required or permitted to be done or taken under the LBATA and no form is prescribed or procedure laid down, an application may be made to the DGIR for directions as to the manner in which such act or procedure may be done or taken. Any act or procedure done or taken in accordance with those directions shall be a valid performance of such act or procedure.

Proposal

It is proposed that Section 28 of the LBATA be amended to replace the phrase "no form is prescribed" with "no means is determined", thereby broadening the scope of the provision and allows flexibility in a situation where no means or procedure is laid down under the LBATA.

Effective: 1 January 2026





Administration and Others

Restructuring of instalment payment

Currently, the estimate of tax payable made by every company, LLP, trust body or co-operative society under Subsection 107C(2) of the Act for a YA shall be paid to the DGIR in equal monthly instalments determined according to the number of months in the basis period. Each instalment shall be paid by the due date beginning from the second month of the basis period for the YA and ending in the first month of the basis period for the following YA.

Proposal

Effective YA 2028, the first instalment payment of the estimate of tax payable under Section 107C of the Act for a YA shall be made by the due date beginning from the first month of the basis period for a YA and shall end within the same YA.

Effective: YA 2028

As a transition, the instalment payment of the estimate of tax payable for the YA 2027 shall be paid to the DGIR in equal monthly instalments determined based on the number of months in the basis period for the YA 2027 less one month. Each instalment shall be paid by the due date beginning from the second month of the basis period for the YA 2027.

Effective: YA 2027

Set off of excess tax payments

Currently, any excess income tax payments refundable to a taxpayer under the Act may be transferred to offset the taxpayer's other outstanding tax liabilities under the Act, PITA and RPGTA.

Likewise, any excess payment of tax under the PITA and RPGTA may be transferred to offset against taxpayer's other outstanding tax liabilities.

Proposal

It is proposed that the scope of transferable taxes be extended to cover stamp duties and taxes under the SA and LBATA respectively.

Effective: 1 January 2026

Authorisation for filing of forms electronically

Currently, the electronic filing of any prescribed form under the Act and PITA by tax agents and employees shall be authorised in writing.

Similarly, taxpayer may give written authorisation to a nominee, tax agent or lawyer of the relevant High Court to furnish the prescribed form on his or her behalf under the RPGTA.

Proposal

It is proposed that the said authorisation shall be furnished electronically to the DGIR via a prescribed form.

Effective: 1 January 2027

Extension of mandatory submission of documents through the Malaysian Income Tax Reporting System (MITRS) to partnerships

Pursuant to Section 82B of the Act, taxpayers who have furnished income tax return forms under Sections 77 or 77A of the Act shall provide information and furnish documents as may be determined by the DGIR for the purpose of ascertaining chargeable income and tax payable within 30 days after the due date for furnishing of the return.

Similarly, taxpayers who have furnished a return of profits under Sections 5 or 10 of LBATA, shall provide information and furnish documents as may be determined by the DGIR for the purpose of ascertaining chargeable profit and tax payable or net profit on an electronic medium within 30 days after the due date for submission of the return of profits pursuant to Section 22EB of LBATA.

The IRBM has implemented this requirement through the MITRS online platform, starting with company (C) and Limited Liability Partnership (LLP) and Labuan entity from YA 2025.

Proposal

It has been proposed that the requirement under Section 82B be expanded to include partnerships.

Effective: YA 2027

Appointment of employee to furnish prescribed forms on behalf of partnership

The principal partner is not allowed to appoint employees of the partnership as its representatives.

Proposal

It has been proposed that the principal partner would be allowed to appoint employees of the partnership to furnish any form prescribed under the Act on behalf of the partnership.

Effective: YA 2026



Administration and Others (cont'd)

Form furnished on behalf by employee presumed to have been furnished on authority

Currently, under Section 152A(4) of the Act / Section 82A(4) of the PITA, a prescribed form furnished by a tax agent on behalf of a company or body of persons shall be presumed to have been furnished on the authority given by the company or body of persons. The company or body of persons is deemed to be cognisant of the content of the form.

Proposal

It is proposed that the presumption under Section 152A(4) of the Act / Section 82A(4) of the PITA be expanded to include a prescribed form furnished by an employee on behalf of a company or body of persons.

Effective: 1 January 2026

Extension of income tax exemption for social enterprise

Income tax exemption is given on all income of Social Enterprises accredited by the Ministry of Entrepreneur Development and Cooperatives up to 3 consecutive YAs. The exemption is for applications received by the MOF from 1 January 2022 to 31 December 2025.

Proposal

It is proposed that the application period for the income tax exemption to the MOF is to be extended for another 3 years.

Effective: For application received by the MOF from 1 January 2026 to 31 December 2028

Utilisation of income received by approved institutions, organisations and funds for sports activities

Currently, institutions, organisations, or funds that do not operate solely for profit may apply for approval from the DGIR under Section 44(6) of the Act, subject to meeting conditions.

Proposal

In support of the national sports development, organisations approved by the DGIR may utilise part of the income received to carry out sports activities.

Effective: To be determined

Tax deduction for donation to approved anti-corruption education programmes organised by Civil Society Organisations (CSOs)

Currently, any person with business income is eligible for tax deduction under Section 34(6)(h) of the Act, on expenses incurred in organising integrity and anti-corruption programmes subject to meeting prescribed conditions.

Proposal

It is proposed that anti-corruption programmes organised by CSO be approved as national interest projects under Section 44(11C) of the Act.

The programmes must meet the following conditions:

- i. recognised by Malaysian Anti-Corruption Commission;
- ii. benefits the rakyat and does not involve sensitive issues such as politics, race and religion;
- iii. not profit-driven and does not collect participation fees; and
- iv. implemented between 1 January 2026 and 31 December 2028.

Under Section 44(11C) of the Act, an approved donation for project of national interest is eligible for tax deduction but the amount should be capped at 10% of aggregate income, along with approved donation made under Sections 44(6), 44(11B) and 44(11D).

Effective: For application received by the MOF from 1 January 2026 to 31 December 2028



Administration and Others (cont'd)

Tax deduction for cash contribution made by individuals and corporations to trust account of the Department of Museums Malaysia

Proposal

It is proposed that cash contribution made by individual and corporation to the trust account of the Department of Museums Malaysia to finance the following be eligible for income tax deduction:

- (a) Archaeological collection, ethnological collection, natural history collection for the purpose of research and reference, including expense for oversea visits;
- (b) The purchase of reference books, research documentation, purchase of collections, and the implementation of projects or activities organised by the Department of Museums Malaysia, such as publications, permanent and temporary exhibitions, and the organisation of seminars.

Effective: To be determined

Tax deduction for contribution to programmes MADANI Adopted Village, MADANI Adopted School and Sejahtera MADANI

Proposal

It is proposed that contribution to programmes MADANI Adopted Village, MADANI Adopted School and Sejahtera MADANI by company and individual with business income be eligible for income tax deduction.

Effective: To be determined

Power of DGIR to issue guidelines

Currently, there is no provision under the RPGTA, SA and PITA to empower the DGIR to issue any guidelines. However, in practice, the DGIR has been issuing guidelines to clarify certain provisions of the law and subsidiary legislations as and when required.

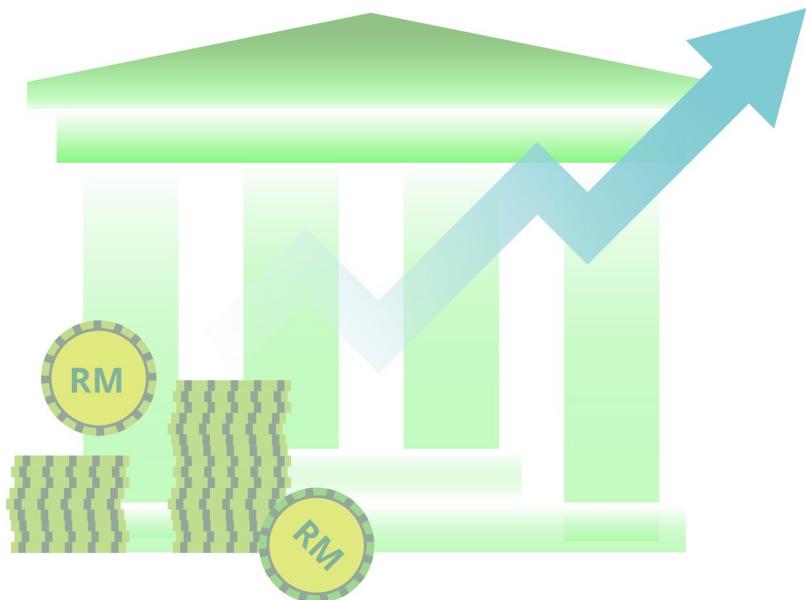
Proposal

It is proposed that new Section 43A of the RPGTA, Section 76B of the SA and Section 67A of the PITA be introduced to empower the DGIR to issue guidelines to clarify the provisions of the RPGTA, the SA and the PITA or to facilitate the compliance of the law or any other matter relating to the RPGTA, SA and PITA. The DGIR may revoke, revise or amend the guidelines issued.

Effective: 1 January 2026

Commentary

The proposed amendments align with the current provision of the Act that empowers the DGIR to issue any guidelines for clarifying the provisions and facilitating tax compliance.



Abbreviations and Acronyms

Accelerated Capital Allowance	ACA
Capital Gains Tax	CGT
Continued	Cont'd
Director General of Inland Revenue	DGIR
Inland Revenue Board of Malaysia	IRBM
Income Tax Act 1967	the Act
Information and Communication Technology	ICT
Labuan Business Activity Tax Act 1990	LBATA
Malaysian Investment Development Authority	MIDA
Micro, Small and Medium Enterprise	MSME
Ministry of Finance	MOF
Petroleum (Income Tax) Act 1967	PITA
Real Property Company	RPC
Real Property Gains Tax	RPGT
Real Property Gains Tax Act 1976	RPGTA
Royal Malaysian Customs Department	RMCD
Ringgit Malaysia	RM
Stamp Act 1949	SA
Year of Assessment	YA



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