



Malaysia Budget 2026 Snapshot The Fourth MADANI Budget: The People's Budget

October 2025



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International Tax Review — Asia-Pacific Tax Awards 2025

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Budget 2026 reaffirms the Government's steadfast commitment to reinforcing Malaysia's economic foundations while promoting sustainable and inclusive growth. With a total allocation of RM419 billion, comprising RM338 billion for operating expenditure and the remaining RM81 billion for development expenditure, the Budget focuses on enhancing productivity and strengthening national competitiveness. The fiscal deficit is projected to narrow further to 3.5% of GDP, supported by an anticipated increase in revenue to RM343 billion, reflecting the Government's ongoing efforts in fiscal consolidation and expenditure optimisation. Guided by the principles of reform, innovation, and shared prosperity, Budget 2026 places strong emphasis on digitalisation, green transition and the well-being of the rakyat through more targeted assistance. These initiatives, aligned with the Government's reform agenda of "Raising the Ceiling, Raising the Floor and Strengthening Good Governance", demonstrate a forward-looking approach towards achieving sustainable prosperity, equitable development and a resilient future for all Malaysians.



Yee Wing Ping

Country Managing Partner
Deloitte Malaysia



Foreword



Sim Kwang Gek

Malaysia Tax & Legal Leader

Budget 2026 continues the economic reform momentum set forth under the Madani Economy framework and marks the first budget under the 13th Malaysia Plan (2026–2030). The government has allocated RM419 billion for 2026, a slight reduction from RM421 billion in 2025. Despite the lower allocation, federal government revenue is projected to rise by 2.7% to RM343 billion, with tax revenue remaining a major contributor, accounting for 78.8% of total revenue while fiscal deficit is expected to improve to 3.5% of GDP. Both development and operating expenditures are expected to grow modestly by less than 2%.

It is not surprising that no new taxes were introduced apart from excise duties on tobacco and alcohol, given the series of tax reforms implemented in recent years. The government targets to increase tax collection to RM270 billion in 2026 — a 6.7% rise or RM17 billion more than 2025. This growth will be driven by initiatives announced in previous years, such as the expansion of the sales tax and service tax (SST) scope, the implementation of a self-assessment system for stamp duty, and the rollout of e-invoicing. To support these measures, tax audits are expected to intensify in 2026 as part of ongoing efforts to enhance compliance and combat tax evasion.

Encouragingly, the government has committed to expedite tax refunds for overpayments. However, clear timelines should be established to ensure transparency, manage taxpayer expectations and assist businesses in maintaining healthy cash flows.

For individual taxpayers, the scope of several tax reliefs has been expanded. The RM3,000 life insurance premium relief now includes payments made for children, while the RM3,000 childcare relief has been extended to cover children up to 12 years of age. While these adjustments offer some relief, a higher relief quantum would be more impactful given the persistent rise in living costs.

From an economic standpoint, Budget 2026 reinforces Malaysia's move toward an innovation-driven, high-value economy, aligned with the New Industrial Master Plan (NIMP) 2030 and the National Energy Transition Roadmap (NETR). Key measures include RM200 million for the Strategic Co-Investment Fund to strengthen SME and mid-tier supply chains via Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) platforms, and RM180 million under the NIMP Industrial Development Fund for high-impact sectors such as pharmaceuticals, semiconductors, AI, digital technology, and sustainability. These initiatives aim to boost industrial capacity, drive innovation and enhance Malaysia's competitiveness in global value chains.

A notable new initiative is the introduction of the ASEAN Business Entity (ABE) status for public listed companies with significant ASEAN market presence or overseas expansion potential. Further details should be forthcoming, but this move should stimulate intra-ASEAN investment and regional economic integration.

In anticipation of Visit Malaysia Year 2026, the government has proposed several tourism-related tax incentives. These include tax deductions of up to RM500,000 for qualifying renovation and refurbishment expenses, income tax exemptions on incremental income from tourism packages, and a RM1,000 personal tax relief for entrance fees to local tourism centres. These measures aim to rejuvenate the tourism sector and attract more visitors.

While carbon tax is set for introduction next year, starting with the steel, iron, and energy sectors, Budget 2026 provides limited details on its implementation mechanism. The government appears to be taking additional time to refine the policy to avoid overburdening businesses. The RM50 million Carbon Border Adjustment Readiness Fund, designed to help exporters comply with EU and UK carbon border measures, is a welcome step, particularly for SMEs facing financial challenges in meeting these new requirements.

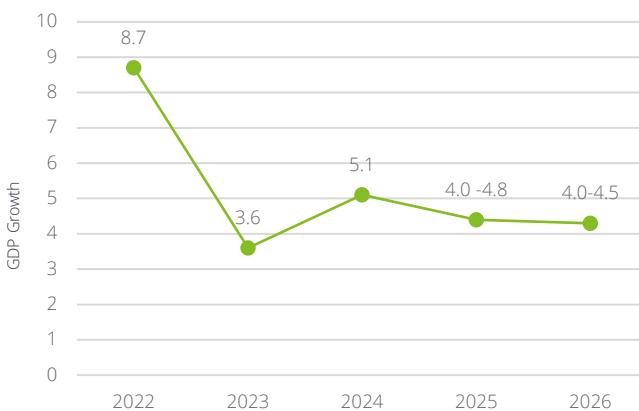
Overall, Budget 2026 underscores the government's continued commitment to balancing fiscal consolidation with people-centric priorities, while strengthening economic resilience amid global uncertainties. As the saying goes, "the proof is in the pudding" — the effectiveness of the tax reform measures introduced in recent years will become clearer in 2026, as implementation and compliance efforts progress. This period will also provide an opportunity to further refine policies and ensure Malaysia's path toward sustainable and inclusive growth.

Budget 2026

Key financials at a glance

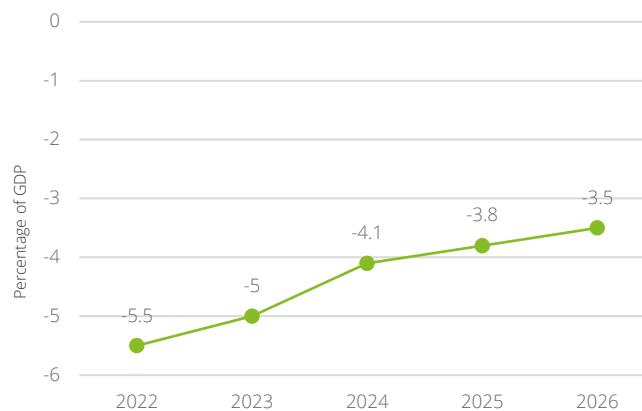
GDP growth

The GDP growth in 2022 is 8.7%. However, 2023 experienced a slower GDP growth of 3.6%. There is improvement in the GDP growth to 5.1% in 2024. Meanwhile, projected GDP growth in 2025 and 2026 is 4.0% - 4.8% and 4.0% - 4.5% respectively.



Fiscal deficit

The fiscal deficit as a percentage of GDP reduced from 5.5% in 2022 to 5.0% in 2023. In 2024, the fiscal deficit was narrowed to 4.1% with slight improvement to 3.8% in 2025 and 3.5% in 2026.

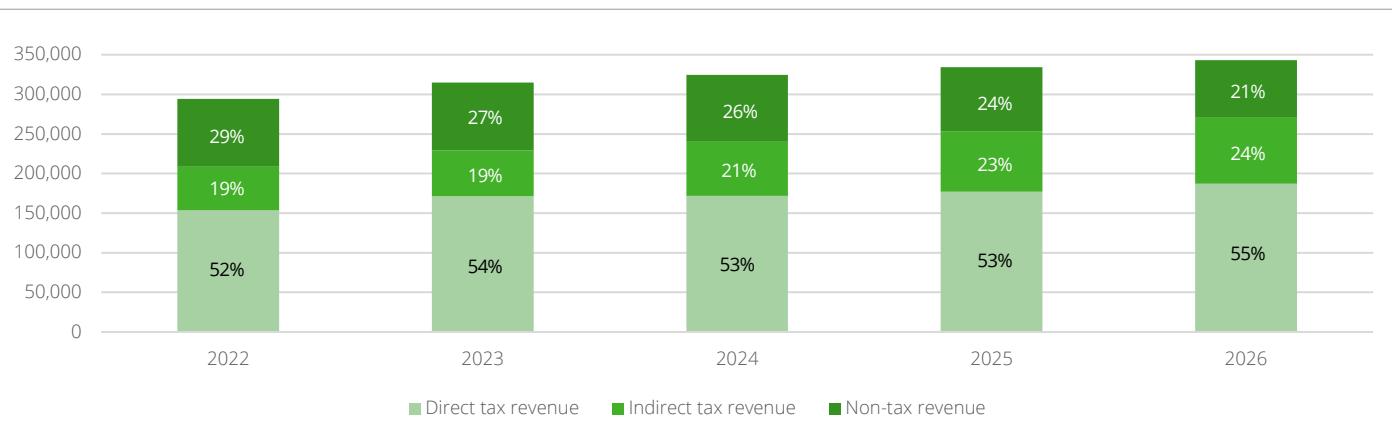


Year	GDP (constant 2015 prices) RM (million)	% Change
2022	1,510,939	8.7
2023	1,567,974	3.6
2024	1,650,305	5.1
2025	1,724,712	4.0 - 4.8
2026	1,795,752	4.0 - 4.5

Year	Fiscal deficit RM (million)	% of GDP
2022	-99,482	-5.5
2023	-91,392	-5.0
2024	-79,166	-4.1
2025	-76,714	-3.8
2026	-74,578	-3.5

Tax revenue over total revenue – breakdown by direct and indirect taxes

Tax collection represents a major contributor to the overall federal government revenue. Direct tax contributes a larger share of total revenue in comparison to indirect taxes representing more than 50% of total revenue from 2022 to 2026.

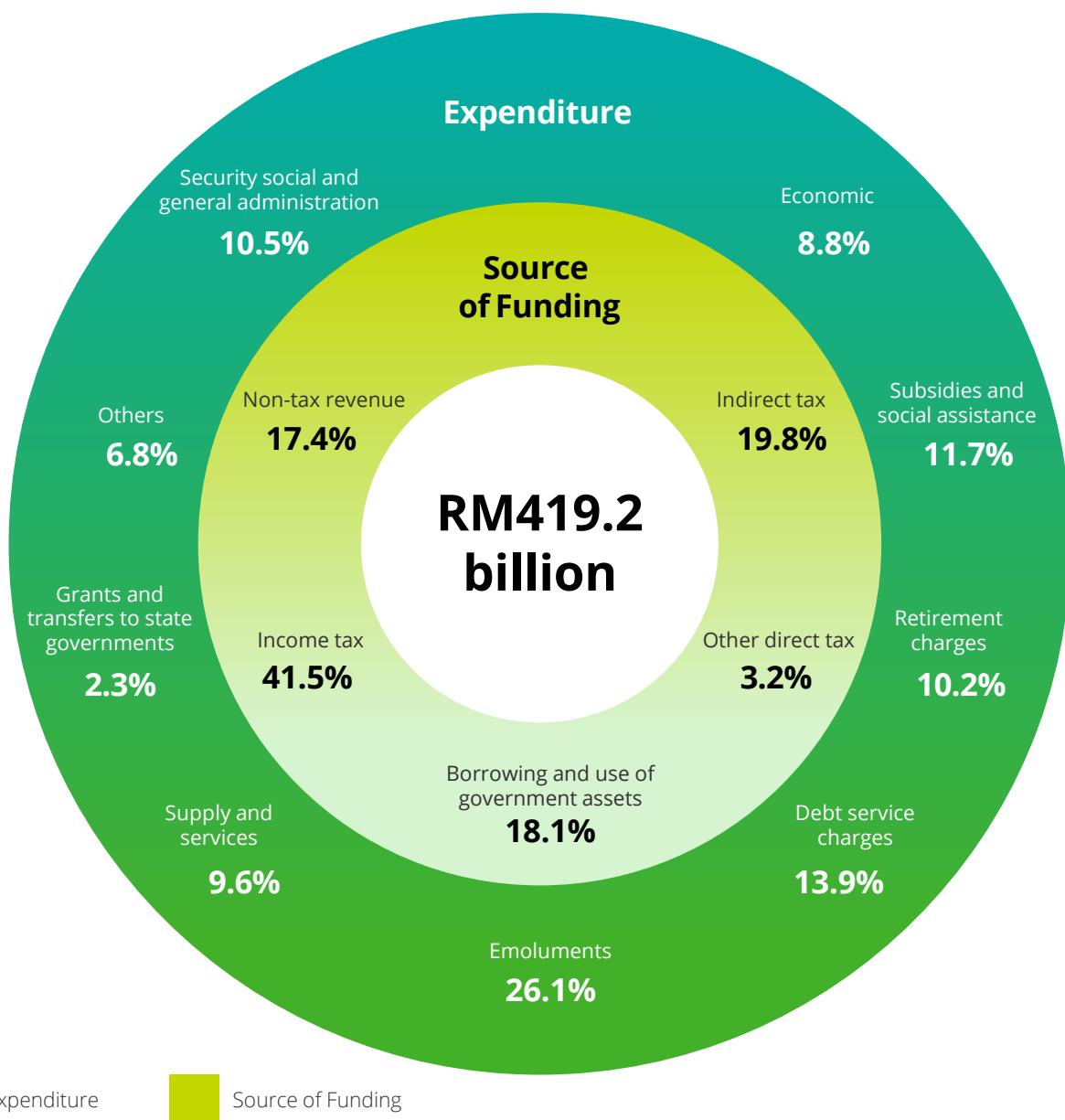


Year	Direct tax revenue		Indirect tax revenue		Non-tax revenue		Total revenue	
	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change
2022	153,476	18.0	55,289	26.8	85,592	42.5	294,357	25.9
2023	171,336	11.6	57,849	4.6	85,774	0.2	314,959	7.0
2024	171,693	0.2	68,499	18.4	84,426	-1.6	324,618	3.1
2025	177,145	3.2	76,255	11.3	80,715	-4.4	334,115	2.9
2026	187,357	5.8	83,026	8.9	72,741	-9.9	343,124	2.7

Sources: Ministry of Finance -Economic Reports

Budget 2026

Source of funding and expenditure



	2025	2026
Fiscal deficit (% of GDP)	-3.8%	-3.5%
Federal government revenue	RM334.1 billion	RM343.1 billion
Operating expenditure	RM332.2 billion	RM338.2 billion
Development expenditure (net)	RM78.7 billion	RM79.5 billion



Tan Hooi Beng

Southeast Asia International Tax Leader

The extension of exemption on foreign source dividends and gains from the disposal of capital assets abroad for resident companies and limited liability partnerships to 31 December 2030 is welcomed and timely. This is important as taxpayers have been waiting for this good news for a while now. This will encourage investment overseas as well as remittance of fund back to our country. Malaysia, at least for now, could maintain its competitiveness as an outbound holding company jurisdiction, bearing in mind that the foreign source income exemption is a permanent feature in countries like Hong Kong and Singapore.





Corporate Tax

Review of tax exemption on income received from outside Malaysia

It is proposed that:

- The scope of tax exemption on foreign-sourced dividend income and foreign-sourced capital gains be expanded to resident cooperative societies and trust bodies for 4 years from 1 January 2027 to 31 December 2030; and
- The tax exemption period on foreign-sourced dividend income and foreign-sourced capital gains received in Malaysia by resident companies and limited liability partnerships as well as foreign sourced income for unit trusts be extended for another 4 years from 1 January 2027 to 31 December 2030.

ACA on capital expenditure for plant, machinery and ICT equipment

It is proposed that the ACA with initial allowance of 20% and annual allowance of 40% be given to the following qualifying capital expenditure incurred from 11 October 2025 to 31 December 2026:

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

Commentary:

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

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

To support efforts in reducing road accidents through the installation of SLD on heavy vehicles, ACA is 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) exceeding 3,500 kg; and
 - passenger vehicles with a GVW exceeding 5,000 kg and designed to carry more than 8 passengers.
- iii. ACA is not claimable for SLD replacement.

The ACA, consisting of a 20% initial allowance and an 80% annual allowance, applies to SLD installations carried out from 1 January 2026 to 31 December 2026.

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

The Government proposes that expenses incurred for converting and renovating commercial buildings into residential premises be given a special tax deduction equivalent to 10% of the qualifying expenditure, capped at RM10 million.

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

To encourage the adoption of AI, expenses incurred by MSMEs on training in relation to artificial intelligence and cybersecurity recognised by MyMahir National AI Council for Industry (NAICI) be given further tax deduction of 50% once in 2 years.

Applicable for applications received by TalentCorp from 1 January 2026 to 31 December 2027.





Corporate Tax (cont'd)

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

It is proposed that the existing tax deduction of up to RM1.5 million on the cost of listing on Bursa's Main Market, ACE Market and LEAP Market for technology-based companies and MSMEs be extended for another 5 years from YA 2026 to YA 2030. The MSMEs qualify for such tax deduction will be expanded to cover MSMEs in the energy and utilities sectors.

Tax treatment for public university teaching hospitals endowment funds

It is proposed that from the YA 2026, 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 the Act, provided that the endowment funds are governed and managed solely by the public university teaching hospitals, in line with the prescribed guidelines. Contributions received, including income generated from the endowment fund, will be exempted from tax. Donors are also eligible for tax deduction equivalent to the amount of the contribution, subject to a maximum of 10% of aggregate income, along with approved donation made under Sections 44(6), 44(11B) and 44(11C).

Hospital Welfare Funds managed by companies limited by guarantee

It is proposed that private hospitals be allowed to establish tax-exempt Hospital Welfare Funds managed by a company limited by guarantee. In addition, contributions to these funds will be tax deductible for donors.

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

To further encourage the issuance of SRI sukuk and bonds that conform to green, social and sustainability standards in Malaysia, 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 3 years.

For SRI Sukuk and Bond Grant Scheme applications received by Securities Commission Malaysia (SC) from 1 January 2026 to 31 December 2028.

Expansion of double tax deduction for training of care worker

Double tax deduction for companies sponsoring training for non-employee disabled persons is to be expanded to include sponsorship of non-employee care workers to undergo training programmes in institutions recognised by the Ministry of Women, Family and Community Development. The expansion is applicable for the YAs 2026 and 2027.

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

The further tax deduction on costs incurred for employing vulnerable persons is proposed to be extended for another 5 years from the YAs 2026 to 2030 and shall also be expanded to include the following:

- Prisoners Released on Licence under the Prisons Act 1995; and
- Drug/substance dependants and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependents and Misusers (Treatment and Rehabilitation) Act 1983.

Extension of further tax deduction for hiring senior citizens

Further tax deduction for employers hiring senior citizens aged 60 years and above will be extended to YAs 2026 to 2030, subject to fulfilling the qualifying conditions.

Review of tax incentive for scholarships

It is proposed that double deduction for scholarships provided by companies be extended for 5 years from YAs 2026 to 2030 and expanded to include the following:

- Students pursuing technical and vocational certificate/ Diploma / Bachelor's Degree
- Qualified professional certification courses

The criteria for household income requirement shall also be increased to a maximum of RM15,000 per month.

Double tax deduction for expenses on scholarships awarded to eligible students

Double tax deduction for expenses on scholarships awarded to eligible students by the private sector is to be expanded to include scholarships for professional qualifications in the fields of ICT, engineering, accounting and finance, etc.



Tax Incentives

Tax incentive for food security projects

Eligible Companies	Tax Incentive
Companies undertaking new projects	<ul style="list-style-type: none"> 10-year full income tax exemption on statutory income Applicable to income derived from domestic sales
Existing companies undertaking expansion projects	<ul style="list-style-type: none"> 5-year full income tax exemption on statutory income Applicable to income derived from domestic sales.

Applicable for applications received by Ministry of Agriculture and Food Security from 1 January 2026 until 31 December 2030.

Tax incentive for tourism projects

In support of Visit Malaysia Year 2026, the Government plans to introduce the following tax incentives to boost the tourism and cultural sectors.

Tour operators

Effective from YAs 2026 to 2027, tour operators enjoy a 100% tax exemption on incremental income from inbound tourism packages, subject to the following conditions:

- Tour operator must bring in at least 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.

Renovation and refurbishment of tourism premises

Registered tourism project operators who renovate or refurbish their business premises to improve domestic tourism offerings will be eligible for a tax deduction of up to RM500,000 on qualifying expenses incurred from 11 October 2025 to 31 December 2027.

International incentive trips, conferences and trade exhibitions

Effective from YAs 2026 to 2027, companies, associations, or organisations verified by MOTAC that organise international-level incentive trips, conferences, or trade exhibitions will enjoy a 100% tax exemption on their statutory income, provided they bring 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.

Arts, cultural, tourism, international sports and recreational activities

Existing tax incentives will be enhanced and extended for two years (YAs 2026 and 2027). The revisions include:

Approved Activities	Existing Incentive	Proposal
Arts and cultural activities approved by Ministry of Tourism, Arts and Culture (MOTAC), held at Istana Budaya, National Art Gallery, or Dewan Filharmonik Petronas	<ul style="list-style-type: none"> Approved activity organisers enjoy a 50% tax exemption on statutory income Effective from YAs 2020 to 2025 	<ul style="list-style-type: none"> Expanding the scope to cover MOTAC-approved tourism activities (excluding concerts); Venues broadened to include any location in Malaysia approved by MOTAC. Tax incentive be extended for 2 years, from YAs 2026 to 2027
International sports and recreational competitions approved by the Ministry of Youth and Sports	As above	<ul style="list-style-type: none"> Tax incentive be extended for 2 years, from YAs 2026 to 2027



Tax Incentives (cont'd)

Tax incentives for venture capital

Venture Capital tax incentives will be reviewed as follows, with effect from YA 2025:

Venture capital company (VCC)

- Proposed 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 includes companies, entities incorporated under the Limited Liability Partnerships Act 2012 and the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which elect to be taxed under the Act.

Venture capital management company (VCMC)

- Proposed special income tax rate of 10% on income derived from the share of profits, management fees and performance fees from YA 2025 to 2035.

Tax incentive for chicken rearing in closed-house system

Applications for tax incentive for chicken rearing in closed-house system shall be ending on 31 December 2025. For continuity of tax incentives for rearing chicken using the closed-house system, it is proposed that tax incentive for automation in the agriculture sector be expanded to include rearing chicken using the closed-house system for applications received by the Ministry of Agriculture and Food Security (KPKM) from 1 January 2026 to 31 December 2027.

Extension of tax incentive for commercialisation of research & development findings

Tax deduction for companies investing in subsidiary companies that commercialise non-resource-based Research & Development findings by public research institutions, public institutes of higher learning and private higher education institutions is to be extended for 5 years.

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

Green investment tax allowance (GITA) (own use)

100% GITA is proposed to be granted to companies that use locally manufactured MyHIJAU Mark-certified green technology products for own use.



Ng Lan Kheng

Global Investment
and Innovation Incentives
(Gi³) Leader

We view Budget 2026 as a strong affirmation of Malaysia's commitment to advancing high-value and technology-driven industries. The full implementation of the Outcome-Based Incentive Framework in 2026, together with key allocations such as the RM200 million Strategic Co-Investment Fund, RM180 million under the New Industrial Master Plan (NIMP) Industrial Development Fund, RM550 million investment by Khazanah and Kumpulan Wang Persaraan (Diperbadankan) (KWAP), and RM500 million financing by Bank Pembangunan Malaysia Berhad (BPMB) under the National Semiconductor Strategy (NSS), are expected to further strengthen Malaysia's high-value economic ecosystem, particularly in semiconductors, AI, digitalisation, pharmaceuticals and sustainability-focused sectors. Looking ahead, we strongly believe these initiatives will significantly enhance Malaysia's global competitiveness and position the nation as a leading player in the high-value economy.





Indirect Tax

Introduction of carbon tax

Initially proposed in Budget 2025, carbon tax has been reiterated to be introduced in 2026 with initial focus on the iron & steel, and energy sectors 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.

Limitation on vehicle tax exemption in Langkawi and Labuan

Effective 1 January 2026, vehicle tax exemption in Langkawi and Labuan is proposed to be limited to vehicles valued at not more than RM 300,000.

100% excise duty and sales tax exemption on national car purchases by taxi and private hire car owners

The 100% excise duty and sales tax exemption is proposed to continue for the purchase of new national cars, i.e., "Proton" and "Perodua", by taxi owners and private hire car owners. The end date of the exemption was not announced.

Increase in excise duty on cigarettes and other tobacco products

Effective 1 November 2025, excise duty rate on cigarettes is proposed to be increased in phases, starting with an increase of 2 sen per stick, or 40 sen per packet. 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 products affected and the excise duty rates after the increase.

Description	Tariff code	Further Deduction
Cigarette	2402.20.2000 2402.20.9000 2402.90.2000	42 sen per stick @ RM8.40 per packet
Cigars, cheroots and cigarillos	2402.10.0000 2402.90.1000	RM440 per kilogramme
Heated tobacco products	2404.11.0000	RM798 per kilogramme of tobacco content

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

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.

The change above is effective for applications received by the MOF from 11 October 2025 to 31 December 2027.

Increase in excise duty on alcoholic beverages

Effective 1 November 2025, it is proposed that excise duty on alcoholic beverages be increased by 10%.

Digital tax stamps

It is proposed that digital tax stamps with enhanced security features be implemented.

The initiative, led by the RMCD, aims to combat counterfeiting and curb revenue leakages at entry points through the Centralised Screening Complex CCTV. This move aligns with the government's commitment to modernise tax administration and enhance transparency under the Ekonomi MADANI framework.



Tan Eng Yew
Indirect Tax Leader

Having broadened the Sales Tax and Service Tax base quite significantly effective July 2025, the Government has shifted focus this Budget to pro-health tax aspirations, in line with the 13th Malaysian Plan proposal, and reiterated its journey plans for implementing carbon tax in 2026.



Individual Tax

Expansion in scope of relief for life insurance / takaful

The tax relief of RM3,000 has been expanded to cover payments of life insurance premiums / takaful contributions on policies contracted on the life of the children.

Effective: YA 2026

Clarity on eligibility criteria for insured children - relief for life insurance premiums / takaful contributions, education and medical insurance premiums

The eligibility criteria to claim relief for the insured child is as follows:

1. For children aged below 18 years old - unmarried;
2. For children aged 18 years old and above - unmarried and pursuing tertiary education; or
3. No age limit for unmarried disabled children.

Effective: YA 2026

Expansion in scope of relief for environmental sustainability and home safety-related expenditure

The current tax relief of RM2,500 which was provided for expenses on EV charging facilities and household food composting machine has been expanded to include:

1. Household food waste grinders; and
2. Closed-Circuit Television (CCTV) for home use.

Effective: YA 2026 and YA 2027 only, once within a period of 2 YAs for either items above

Increase in relief for expenses incurred for early intervention programmes or rehabilitation treatment for children with learning disabilities

The relief specifically for these expenses are increased to RM10,000. The overarching relief for medical expenses incurred is still maintained at RM10,000.

Effective: YA 2026

Expansion in scope of relief for vaccination expenses

The relief of RM1,000 has been expanded to include all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health of Malaysia.

Effective: YA 2026

Relief on entrance fees to tourist attractions and cultural programmes

Relief of up to RM1,000 is allowed for entrance fees to local tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks, and cultural and art programmes.

Effective: YA 2026 only

Expansion in scope of relief for fees paid to childcare centres and kindergartens

The following has been proposed:

- The current tax relief limit of RM3,000 be made permanent;
- Eligible childcare premises to include daily care or after-school transit centres registered with the Department of Social Welfare of Malaysia; and
- Expansion of relief to include children aged up to 12 years old.

Effective: YA 2026

Fast tracking of Resident Pass-Talent (RP-T)

It is proposed that 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. The current criteria for RP-T (facilitated by TalentCorp) remain unchanged until further notice.

Effective: To be determined

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

It is proposed that dividends paid, credited or distributed to individual shareholders of a VCC at the first level be exempted from income tax.

Effective: YAs 2025 to 2035

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

It is proposed that income in the form of profit distributions exceeding RM100,000 from Limited Liability Partnership received by individual partners consisting of resident and non-resident individuals be subject to tax at 2% after taking into account allowable relief and deductions.

Effective: YA 2026



Individual Tax (cont'd)



It is indeed a People's Budget where we can see the rewards of reform returning to benefit the rakyat.

This transformation is rooted in enhancing the nation's fiscal capacity to provide essential public facilities. By meticulously strengthening its financial foundation, the government has chosen to enhance governance, including targeted subsidies without burdening the rakyat. This disciplined approach enables strategic investment to create jobs and generate income, while concurrently taking concrete measures to alleviate the cost-of-living pressures faced by households.

The combination of prudent fiscal management and citizen-centric policies drives a comprehensive national renewal. This Fourth Madani Budget is designed not just for immediate relief, but for long-term sustainability, forging economic resilience against future global shocks. The true measure of this effort will only be seen if we are successful in raising the rakyat's standard of living, signalling a profound societal rejuvenation. Ultimately, this People's Budget affirms that a strong nation is one where the benefits of reform are shared equitably, empowering every rakyat to thrive.

Ang Weina

Global Employer Services Leader





Stamp Duty

Review of wage threshold for stamp duty exemption on employment contract

The wage threshold for stamp duty exemption on employment contracts shall be increased from RM300 to RM3,000. This applies to employment contracts executed from 1 January 2026.

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

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. This is applicable to insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028.

Extension of stamp duty exemption for Perlindungan Tenang products

The 100% stamp duty exemption on insurance policies and takaful certificates for all Perlindungan Tenang products shall be extended for 3 years. This is applicable to Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028.

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

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. This applies to sale and purchase agreements executed from 1 January 2026 to 31 December 2027.

Review of stamp duty on property ownership by non-citizens

The fixed stamp duty rate on instruments of transfer for residential homes executed by non-citizen individuals (except Malaysian permanent residents) and foreign companies shall be increased from 4% to 8%. This applies to instruments of transfer of residential homes executed from 1 January 2026.

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

The contract notes for buy-side structured warrant transactions which are executed from 1 January 2026 to 31 December 2028 will be exempted from stamp duty.

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

The stamp duty exemption on contract notes for Exchange Traded Funds transactions shall be extended for 3 years. This applies to Exchange Traded Funds transactions from 1 January 2026 to 31 December 2028.





Others

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

It is proposed that the project of national interest for Section 44(11C) of the Act be expanded to include approved anti-corruption education programmes organised by CSOs.

The programmes must meet the following conditions:

- (1) recognised by Malaysian Anti-Corruption Commission;
- (2) benefits the rakyat and does not involve sensitive issues such as politics, race and religion;
- (3) not profit-driven and does not collect participation fees; and
- (4) 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).

Applicable for application received by MOF from 1 January 2026 to 31 December 2028.

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 trading through digital exchanges in Labuan IBFC. Additionally, Climate Sukuk will be introduced to finance green projects and provide dividends in the form of carbon credit.

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

Cash contributions made by individual and corporation to the trust account of the Department of Museums Malaysia will be eligible for income tax deduction.

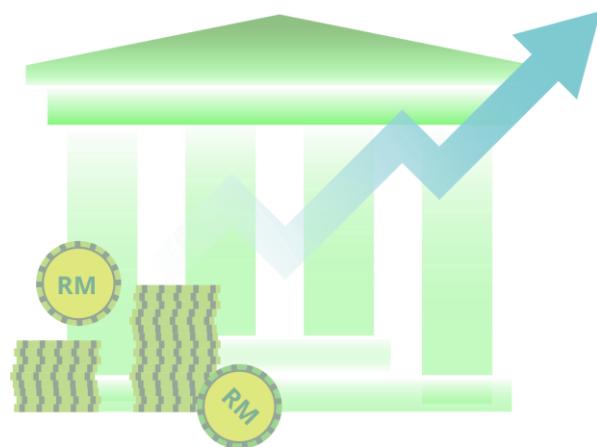
Tax deduction for contribution to programmes MADANI Adopted Village, MADANI Adopted School and Sejahtera MADANI

Contribution to programmes MADANI Adopted Village, MADANI Adopted School and Sejahtera MADANI by company and individual with business income will be eligible for income tax deduction.

Extension of income tax exemption for social enterprise

Income tax exemption for Social Enterprise accredited by the Ministry of Entrepreneur Development and Cooperatives is to be extended.

The extension applies to application received by MOF from 1 January 2026 to 31 December 2028.



Abbreviations and Acronyms

Accelerated Capital Allowance	ACA
Electric Vehicle	EV
Gross Domestic Product	GDP
Income Tax Act 1967	the Act
Information and Communication Technology	ICT
Malaysian Investment Development Authority	MIDA
Micro, Small and Medium Enterprise	MSME
Ministry of Finance	MOF
Royal Malaysian Customs Department	RMCD
Ringgit Malaysia	RM
Year of Assessment	YA



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