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Malaysia Budget 2027 Snapshot

The Fifth MADANI Budget: Malaysia Madani: Reaching for the Skies, While Anchored on our Values

October 2026

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Yee Wing Peng
Country
Managing Partner
Deloitte Malaysia

Budget 2027 marks another significant step in Malaysia's journey towards becoming a more resilient, competitive and inclusive economy. The Government's ability to further reduce the fiscal deficit to 3.3% of GDP, while maintaining substantial investments in economic and social development, reflects its continued commitment to balancing fiscal sustainability with growth aspirations.

The Budget demonstrates a clear focus on strengthening Malaysia's long-term economic fundamentals. Continued investments in artificial intelligence, digitalisation, education, talent development and strategic infrastructure signal the Government's recognition that future growth will increasingly be driven by innovation, productivity and human capital. At the same time, the emphasis on targeted subsidies and social assistance programmes underscores the Government's commitment to ensuring that the benefits of economic progress are broadly shared across society.

Importantly, Budget 2027 reinforces the MADANI Government's reform agenda through measures aimed at improving spending efficiency, enhancing governance and building a stronger fiscal foundation for future generations. These initiatives are expected to further strengthen investor confidence and support Malaysia's attractiveness as a destination for business and investment.

Taken together, the measures announced under Budget 2027 represent a balanced approach to nation-building. By combining fiscal discipline with strategic investments in future growth drivers, the Government has laid an important foundation for sustainable economic transformation and long-term prosperity under the theme "Reaching for the Skies, While Anchored on our Values."

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Foreword



Sim Kwang Gek
Tax Leader
Deloitte Malaysia

A Balanced Approach to Global Growth and Fiscal Responsibility

Budget 2027 sets out Malaysia's ambition to grow with confidence while keeping the nation's finances on a sustainable footing. Framed by the theme "Reaching for the Skies, While Anchored on Our Values", the Budget responds to geopolitical uncertainty, trade tensions, rapid technological change and pressure on public finances with a balanced focus on growth, fiscal responsibility and long-term competitiveness.

Federal Government expenditure is expected to increase by RM15.7 billion, or 3.6%, to RM459.8 billion in 2027. Most of the increase will fund operating expenditure, while development expenditure will rise modestly to RM83 billion.

Although no major new taxes were announced, tax revenue is expected to grow by RM16.3 billion, or 5.8%, from RM280.8 billion in 2026 to RM297.1 billion in 2027. This increase is expected to be supported by effective e-Invoice adoption, broader Sales and Service Tax coverage as well as stronger tax compliance and enforcement.

Importantly, tax revenue is expected to grow faster than Government expenditure, helping to reduce the fiscal deficit from 3.6% of GDP in 2026 to 3.3% in 2027. Put simply, the Government expects higher revenue to support increased public spending without relying as heavily on additional borrowing.

Key Tax Highlights

Targeted Support for Individual Taxpayers

The proposed increase in individual tax relief from RM9,000 to RM12,000 is welcome, particularly as the amount has remained unchanged since 2010. The additional RM3,000 deduction should give taxpayers more disposable income and provide some relief from rising living costs.

Budget 2027 also proposes a one-percentage-point reduction in personal income tax rates for resident taxpayers with chargeable income between RM70,000 and RM150,000. Together with the higher individual tax relief, this should provide meaningful support to middle-income taxpayers. For example, an individual with chargeable income of RM100,000 could save about RM840 in tax, while one with chargeable income of RM150,000 could save about RM1,520. These savings should help households manage their expenses and may also support consumer spending.

Meanwhile, higher-income taxpayers will have to contribute more. The 30% tax rate will apply to chargeable income above RM1 million, rather than only to income above RM2 million. Depending on their chargeable income, affected taxpayers could pay up to RM20,000 more in tax. From a policy perspective, the measure appears intended to partially offset the revenue forgone from the tax reductions granted to middle-income taxpayers while ensuring that higher-income individuals contribute a greater share of overall tax revenue. The proposal therefore reinforces the progressive nature of Malaysia's personal income tax system by shifting part of the tax burden towards those with a greater ability to pay.

Lower Tax Rates for SMEs

Support also extends to MSMEs, which will benefit from lower preferential tax rates. The rate on the first RM150,000 of chargeable income will reduce from 15% to 14%, while the rate on chargeable income between RM150,001 and RM600,000 will reduce from 17% to 16%.

Although these reductions are only one percentage point, the savings can still be meaningful for smaller businesses. A qualifying MSME with RM600,000 of chargeable income would see its tax bill drop from RM99,000 to RM93,000—a saving of RM6,000 a year, or about 6%.

Enhancing Malaysia's Appeal as a Regional Services Hub

Beyond supporting households and MSMEs, Budget 2027 also seeks to attract regional investment. The 5% corporate tax rate announced for Malaysia's Global Services Hub (GSH) incentive scheme is a significant enhancement. Coupled with an unprecedented 30-year extension of the incentive period, stamp duty exemption on loans between related companies and withholding tax exemption on interest payments, this incentive is designed to attract multinational corporations (MNCs) to set up their regional or global headquarters, business management, and treasury operations in Malaysia.

Reaching Higher While Staying Grounded

From a broader policy perspective, Budget 2027 is about turning ambition into sustainable progress. Its measures seek to support households and businesses, attract investment and strengthen Malaysia's fiscal position, while laying the foundation for a more productive, innovative and resilient economy.

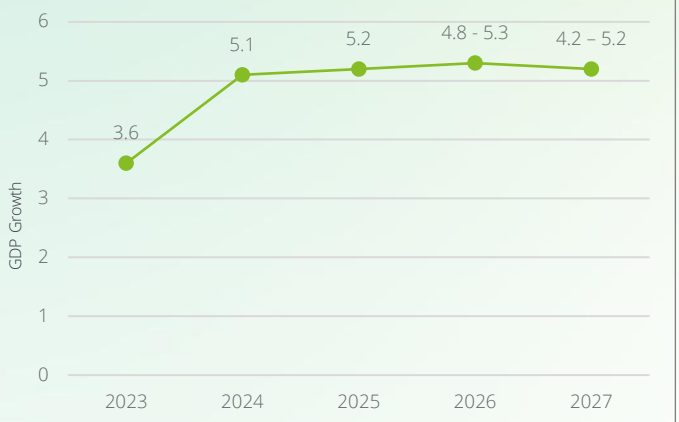
The theme **"Reaching for the Skies, While Anchored on Our Values"** captures the balance Malaysia must maintain. We should pursue growth and transformation with confidence, but remain grounded in sound governance, fiscal responsibility and inclusive growth. These are the anchors that will enable Malaysia to scale greater heights and ensure that progress is both meaningful and lasting.

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Budget 2027
Key financials at a glance

GDP growth

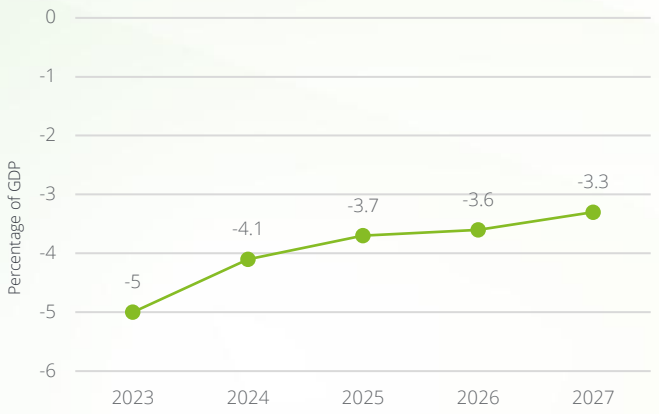
The GDP growth in 2023 is 3.6%. There is improvement in the GDP growth to 5.1% in 2024 and 5.2% in 2025. Meanwhile, projected GDP growth in 2026 and 2027 is 4.8% - 5.3% and 4.2% - 5.2% respectively.



Year	GDP (constant 2015 prices) RM (million)	% Change
2023	1,567,974	3.6
2024	1,650,305	5.1
2025	1,736,953	5.2
2026	1,826,515	4.8 - 5.3
2027	1,909,833	4.2 - 5.2

Fiscal deficit

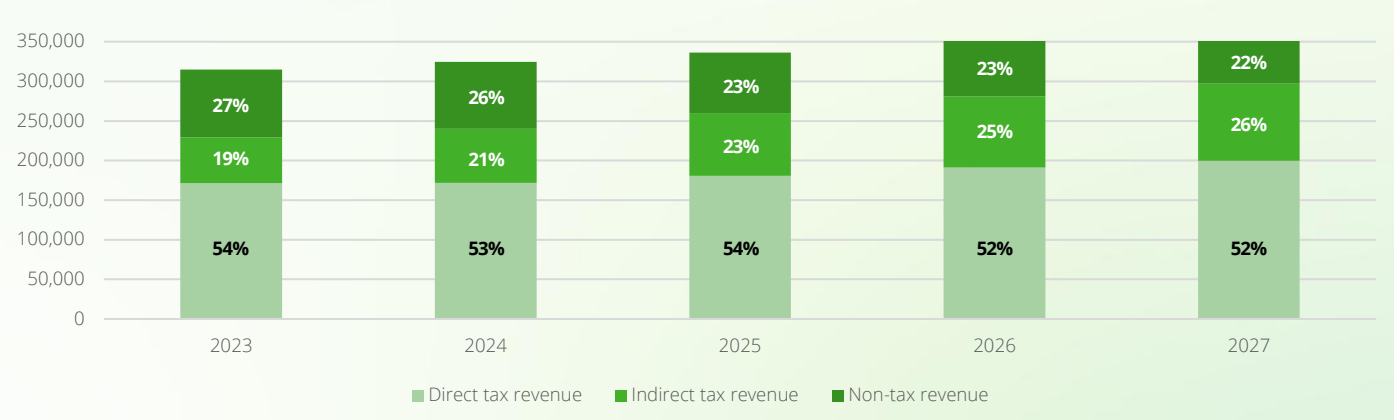
The fiscal deficit as a percentage of GDP reduced from 5.0% in 2023 to 4.1% in 2024. In 2025, the fiscal deficit was narrowed to 3.7% with slight improvement to 3.6% in 2026 and 3.3% in 2027.



Year	Fiscal deficit RM (million)	% of GDP
2023	-91,391	-5.0
2024	-79,166	-4.1
2025	-75,289	-3.7
2026	-78,515	-3.6
2027	-77,523	-3.3

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 2023 to 2027.

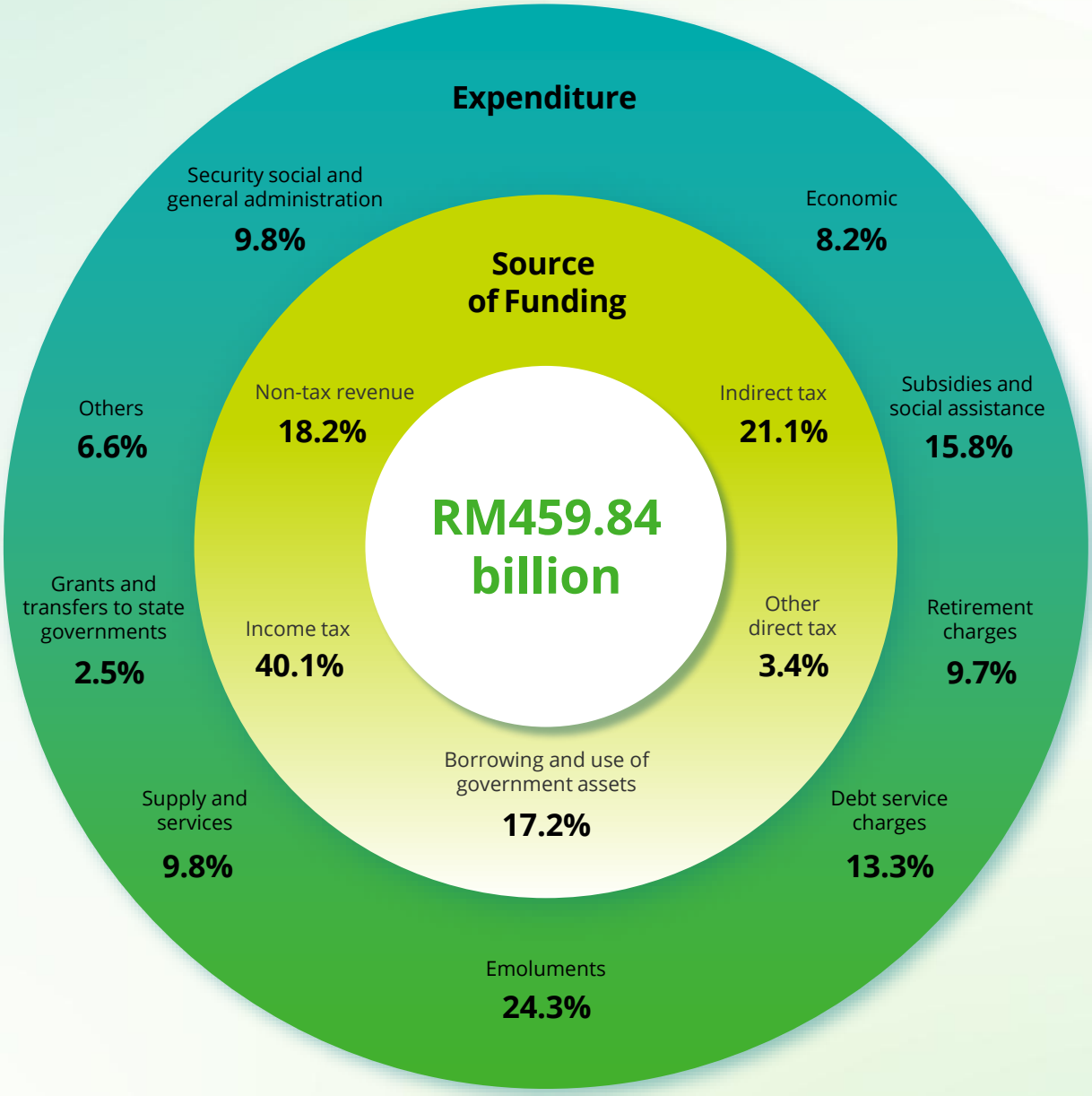


Year	Direct tax revenue		Indirect tax revenue		Non-tax revenue		Total revenue	
	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change
2023	171,336	11.6	57,849	4.6	85,774	0.2	314,959	7.0
2024	171,693	0.2	68,499	18.4	84,426	-1.6	324,618	3.1
2025	180,558	5.2	79,268	15.7	76,243	-9.7	336,069	3.5
2026	191,025	5.8	89,737	13.2	82,878	8.7	363,640	8.2
2027	199,898	4.6	97,162	8.3	83,757	1.1	380,817	4.7

Sources: Ministry of Finance -Economic Reports

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Budget 2027
Source of funding and expenditure



	2026	2027
Fiscal deficit (% of GDP)	-3.6%	-3.3%
Federal government revenue	RM363.64 billion	RM380.82 billion
Operating expenditure	RM363.06 billion	RM376.84 billion
Development expenditure (net)	RM79.1 billion	RM81.5 billion

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Corporate Tax

Review of income tax rates for MSMEs

Effective from YA 2027, it is proposed that the MSMEs income tax rates be revised as follows:

Chargeable income	Current tax rate %	Proposed tax rate %
First RM150,000	15	14
RM150,001 to RM600,000	17	16
Exceeding RM600,000	24	24

Income tax deduction for company implementing MADANI Talent Training Programme

It is proposed that tax deduction be given to companies implementing the MADANI Talent Training Programme from 29 June 2026 until 31 December 2030.

Income tax deduction for salary payments through financial institution and cashless payment instruments

It is proposed that effective YA 2028, salary expenses will be given tax deduction provided payments are made through financial institutions or cashless payment instruments as prescribed under the Employment Act 1955, except for salary payment by MSME.

This requirement does not apply to other expenses.

Income tax deduction on relocation costs for automotive vendors

It is proposed that a tax deduction of up to RM5 million may be claimed on qualifying relocation costs incurred from 1 January 2027 to 31 December 2030 to encourage wholly Malaysian-owned automotive vendors to relocate their operations to the Automotive Hi-Tech Valley in Tanjong Malim, Perak.

Tax deduction on the issuance costs of Sukuk Prisma

To further strengthen Malaysia's position as a global sukuk investment hub through the provision of innovative Shariah-compliant financing facilities with a sustainability focus, it is proposed that income tax deduction be given on the issuance costs of Sukuk Prisma approved or authorised by Securities Commission Malaysia (SC) or lodged with SC, from YA 2027 to YA 2030.

Review of capital allowance for small value assets

Effective from YA 2027, it is proposed that the capital allowance treatment for small value assets be enhanced as follows:

i. The value of each small value assets for claiming capital allowance be increased from RM2,000 to RM3,000; and

ii. The overall capital allowance limit for small value assets claimable by companies other than MSMEs be increased from RM20,000 to RM30,000 for each YA.

Extension of ACA for plant, machinery and ICT equipment

It is proposed that the ACA for locally manufactured plant and machinery, as well as ICT equipment and software, to be extended for another 4 years from 1 January 2027 to 31 December 2030.

Commentary
It was announced in the 2026 Budget that the ACA with initial allowance of 20% and annual allowance of 40% would be granted on expenditure incurred on locally manufactured plant and machinery, as well as ICT equipment and software, from 11 October 2025 to 31 December 2026. 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). However, the relevant gazette order has not been issued to date. It is hoped that the Government will expedite the issuance of the relevant gazette orders.

Reinvestment allowance

The Government will review the current reinvestment allowance incentive, including its qualifying conditions and the manner in which the incentive is granted, with the aim of making it more targeted and strengthening industrial competitiveness.

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Corporate Tax (cont'd)

Income tax exemption for Malaysian shipping company

It is proposed that full tax exemption for Malaysian shipping companies to be extended for another 10 years from YA 2027 until YA 2036, subject to the following conditions:

a. Strategic management and effective control implemented in Malaysia;

b. Annual operating expenditure in Malaysia of at least RM250,000 for each Malaysian ship; and

c. Employ at least 4 Malaysian citizens with an average monthly salary of RM15,000 for each Malaysian ship.

Review of income tax exemption for Shariah-compliant fund management services provider companies

To further support the development of Shariah-compliant fund management services, it is proposed that:

i. the income tax exemption rate be fixed at 40% on statutory income derived from management of Shariah-compliant funds from YA 2028 to YA 2030; and
ii. the income tax exemption be extended for 3 years from YA 2028 to YA 2030.

Income tax exemption on sustainable and responsible investment (SRI) sukuk and bond grant scheme

It is proposed that grants received under SRI sukuk and bond grant scheme be exempted from income tax from 1 January 2027.

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Tax Incentives

Global Services Hub (GSH)

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

Subject	New Company	Existing Company	
	GSH Income	≤ Base Income	> Base Income
Tax Rate	5%	15%	5%
Incentive Period	• 5-year periods, up to a maximum of 30 years. • Subject to company performance or commitments in the preceding and subsequent incentive periods.		
Qualifying Services	a. Regional P&L / Business Management Unit b. Strategic business planning, and c. Corporate development		
Additional Services	At least two (2) qualifying activities from the following service categories: a. Strategic services, or b. Business services, including Treasury Fund Management (TFM), or c. Shared services		
Exempted Income	a. Service income, or b. Service and trading income, and c. TFM income as prescribed by the MOF.		
Treasury Fund Management	GSH companies undertaking TFM activities specifically for cash pooling through onshore intermediaries are eligible for: a. Withholding tax exemption on interest paid to non-residents, and b. 100% stamp duty exemption on foreign-currency loan agreements between companies. Both exemptions also apply to the Johor-Singapore Special Economic Zone (JS-SEZ) incentive package.		
Definitions	• New company: Has not undertaken GSH or Principal Hub (PH) activities. • Existing company: Has approved GSH or PH status and will undertake additional new services when applying for an extension. • Base income: Average income for the last three (3) years.		

Applicable for applications received by MIDA from 1 January 2027.

Commentary
The proposed GSH revisions could strengthen Malaysia's attractiveness as a regional services and treasury hub by extending the potential incentive period and introducing additional exemptions for qualifying treasury activities. For existing GSH or PH companies, the 5% preferential rate on income exceeding base income could support further expansion. Businesses should assess the overall benefit alongside the 15% rate on income up to base income and the applicable performance and commitment requirements.

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Tax Incentives (cont'd)

Green Technology

Green technology tax incentives will be reviewed as follows:

GITA project (business purposes)

Qualifying activity	GITA (%)	Statutory income to be set-off (%)	Incentive period
Tier 1 i. Green hydrogen ii. Ocean thermal energy conversion	100	100 or 70	5 + 5 years
Tier 2 i. Electric vehicle charging station ii. Renewable energy system (biomass, biogas, mini hydro, geothermal, wind energy)	60	70	5 years

- For applications received by MIDA from 1 January 2027 until 31 December 2030.



Ng Lan Kheng
Global Investment and Innovation Incentives (Gi³) Leader

Malaysia's investment momentum remains robust, with RM218.5 billion in approved investments recorded in the first half of 2026, underscoring continued investor confidence in the country's economic prospects. Budget 2027 reinforces Malaysia's ambition to strengthen its position as a competitive, innovation-driven economy through several strategic priorities, including advancing higher-value manufacturing, accelerating the energy transition, building capabilities in artificial intelligence (AI), robotics and emerging technologies, and attracting high-quality investments that create skilled employment while deepening domestic capabilities.

A key focus is the continued development of Malaysia's semiconductor and advanced manufacturing ecosystem. To support this objective, Khazanah Nasional, KWAP and InvestPenang have committed a combined RM1.3 billion to strengthen local capabilities, accelerate innovation, and nurture early-stage companies that can contribute to long-term industry growth and resilience.

The Government is also reaffirming its commitment to sustainability and the energy transition through targeted incentives. Notably, the GITA has been extended until 31 December 2030, enabling eligible companies to receive an Investment Tax Allowance of up to 100% for qualifying green technology investments. This measure is intended to encourage greater private sector participation in sustainable growth initiatives while supporting Malaysia's climate and energy objectives.

In addition, Malaysia is enhancing its attractiveness as a regional hub for high-value services and investment. Effective 1 January 2027, the Global Services Hub (GSH) incentive will be strengthened through measures including a 5% special tax rate for qualifying activities, incentive periods of up to 30 years, and selected tax and stamp duty exemptions. Collectively, these initiatives are designed to attract high-value investments, foster innovation, develop skilled talent, and position Malaysia as a leading destination for sustainable and technology-driven business expansion.

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Tax Incentives (cont'd)

GITA assets (own consumption)

Qualifying activity	GITA (%)	Statutory income to be set-off (%)
Tier 1 i. List of qualifying assets approved by MOF: a) Bus, van, panel MPV, movers, terminal tractor, forklift, lorry/light truck, lorry and heavy vehicle (including prime mover) b) Electric vehicle infrastructure (locally produced) c) Waste composting and recycling system (locally produced) d) Wastewater recycling and rainwater harvesting system (locally produced) ii. Renewable energy integrated system (biomass, biogas, mini hydro, solar, geothermal, wind energy) + Battery Energy Storage System (BESS)/Energy Storage System (ESS)	100	70
Tier 2 i. List of qualifying assets approved by MOF: a) Electric vehicle infrastructure b) Waste composting and recycling system c) Wastewater recycling and rainwater harvesting system ii. Renewable energy system (biomass, biogas, mini hydro, geothermal, wind energy)	60	70

- The company shall apply to Malaysian Green Technology Change Corporation (MGTC) within 24 months from the date of purchase of the qualifying GITA asset.
- For the purchase of qualifying green technology assets verified by MGTC from 1 January 2027 until 31 December 2030.

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Tax Incentives (cont'd)

Extension of tax incentive

Activities	Existing incentive	Proposal
International incentive trips, conferences and trade exhibitions	• 100% statutory income exemption for companies, associations or organisations certified by the Ministry of Tourism, Arts and Culture (MOTAC). • Annual minimum foreign participants: ✓ 1,500 for incentive trips, ✓ 2,000 for conferences or ✓ 3,000 for trade exhibitions. • Effective from YAs 2026 and 2027.	Tax incentive be extended for three (3) years, from YAs 2028 to 2030.

Extension for income tax exemption for individual investors investing via equity crowdfunding platforms (ECF platforms) and Angel Investors

It is proposed that the existing tax incentives for individual investors investing through ECF platforms and angel investors investing in technology start-ups be extended for a further 4 years for investments made from 1 January 2027 to 31 December 2030.

Multi-Family Office model

The Multi-Family Office framework is a major step forward for Malaysia's wealth management sector. By enabling wealthy families to pool resources and access a 0% tax incentive within the Forest City Special Financial Zone, the country offers a highly structured, cost-efficient alternative to traditional hubs and positions Malaysia as a compelling, long-term destination for global capital routing and asset preservation.

Proposed Sibu Special Economic Zone

The Government will begin formal negotiations to finalise the proposed zone's incentive framework, a one-stop investment facilitation centre and strategic infrastructure needs.

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Indirect Tax

Sales tax refund facility for local traders / distributors on supplies to manufacturers

It is proposed that local traders or distributors be allowed to claim a refund on sales tax paid for goods supplied to manufacturers entitled to the exemptions as follows:

i. Machinery, spare parts and equipment under Item 55, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018; and
ii. Approved raw materials and goods for the manufacture of pharmaceutical products, animal feed, fertilisers and pesticides under Item 5, 6 and 7 of Schedule B, Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

Effective: 1 January 2027

Commentary
This proposal is a welcomed measure as it helps address irrecoverable sales tax costs incurred by local traders and distributors supplying qualifying goods to exempt manufacturers. It promotes tax neutrality within the supply chain and alleviates the cash flow burden currently borne by intermediaries, particularly where exemptions cannot be applied at the point of purchase.

Treatment of import duty and sales tax exemption for duty-free goods transported out of Langkawi and Labuan

The duty-free purchase limit for visitors and tourists to Langkawi and Labuan will be increased to RM10,000, subject to a minimum stay of 48 hours.

This applies to all new goods, except:

- Tyres and tubes
- Alcoholic beverages
- Cigarettes
- Tobacco products
- Smoking pipes
- Electronic cigarettes and vapes, including liquids or gels

The exemption treatment on the duty-free islands of Tioman, Pangkor and Pulau 1, Forest City is maintained.

Effective: 1 January 2027

Review of import duty exemption for Langkawi origin goods

It is proposed that import duty exemption be granted on goods originating from Langkawi which are imported into the Principal Customs Area (PCA) to be revised and expanded as follows:

Goods Category	List of Goods
Agriculture and Agro-food	1. Bird's eggs 2. Coconuts 3. Fruits 4. Sugarcanes 5. Vegetables 6. Poultry 7. Virgin coconut oil
Food and Beverage Products	1. Coffee products 2. Mineral water 3. Pineapple tarts 4. Coconut cookies 5. Chocolate made in Langkawi 6. Curry puff 7. Chips 8. Buffalo milk ice cream 9. Retort products
Fisheries and Marine Products	1. Anchovies 2. Anchovy based products 3. Dried stingray products 4. Downstream sea cucumber products
Minerals and Ornament	1. Handicraft products 2. Crystal products 3. Tiffin carrier
Consumer Goods and Home Appliances	1. Homemade soap 2. Virgin coconut oil soap 3. Whetstones
Forestry and Construction	1. Wood charcoal 2. Cement 3. Marble

Effective: 1 January 2027

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Indirect Tax (cont'd)

Improvement on service tax treatment for elderly care services

It is proposed that:

- The rate of service tax for elderly care services is reduced from 8% to 6%;
- Service tax is to be imposed when the annual care fee / charge exceeds RM96,000 per person; and
- Service tax is to be exempted when the annual care fee / charge is up to RM96,000 per person if the providers of elderly care centre services are registered under Care Centres Act 1993 or Private Aged Healthcare Facilities and Services Act 2018.

Effective: 1 January 2027

Commentary
The proposed changes strike a balance between maintaining access to affordable elderly care services and broadening the service tax base. The reduced tax rate and exemption threshold help alleviate the cost burden on lower- and middle-income residents.

Review of entertainment duty exemption in the Federal Territories

It is proposed that:

i) entertainment duty exemption provided on selected categories of entertainment as per Budget 2024 be extended until 31 December 2030; and
ii) full entertainment duty exemption be granted on tickets for local film screenings (cinema) and local theatre performances held in the Federal Territories for 4 years.

Effective:

i) In respect of the selected categories of entertainment - applications received by the MOF until 31 December 2030.
ii) In respect of local film screenings and local theatre performances - applications received by the MOF from 1 January 2027 until 31 December 2030.

Commentary
The extension of entertainment duty exemptions demonstrates the Government's continued support for the creative, arts and entertainment industries. The introduction of a full exemption for local film screenings and theatre performances is expected to encourage greater audience participation, support local content creators, and strengthen the growth of Malaysia's cultural and creative ecosystem.

Entertainment duty exemption for selected facilities in Federal Territory

It is proposed that admission fees for arts and cultural events, as well as entertainment and sporting activities held at the following venues, be exempted from entertainment duty:

- Stadium Merdeka; and
- Stadium Negara

Effective: 1 January 2027

Commentary
The proposed entertainment duty exemption is expected to enhance the attractiveness of Stadium Merdeka and Stadium Negara as premier venues for arts, cultural, entertainment and sporting events. The measure may encourage greater event participation, support the local events industry, and strengthen the contribution of these iconic venues to Malaysia's tourism and cultural sectors.



Tan Eng Yew
Indirect Tax Leader

The absence of the much-discussed hybrid SST–GST model suggests that the Government needs more time before embarking on a broader consumption tax redesign. This is understandable given the need for public acceptance, business readiness and a clear implementation framework. However, the policy debate should continue. The form of the system is less important than its effectiveness. The key consideration is whether the system raises revenue efficiently without cascading costs or undue complexity and facilitates efficient refunds.

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Individual Tax

Changes to individual income tax bands and tax rates for tax residents

The following revision to the individual income tax bands and tax rates have been proposed and will be effective YA 2027:

Chargeable Income (RM)	Tax Rate (%)
0 – 5,000	0
5,001 – 20,000	1
20,001 – 35,000	3
35,001 – 50,000	6
50,001 – 70,000	11
70,001 – 100,000	19
100,001 – 400,000	25
400,001 – 600,000	26
600,001 – 2,000,000	28
Exceeding 2,000,000	30

Chargeable Income (RM)	Tax Rate (%)
0 – 5,000	0
5,001 – 20,000	1
20,001 – 35,000	3
35,001 – 50,000	6
50,001 – 70,000	11
70,001 – 100,000	18
100,001 – 150,000	24
150,001 – 400,000	25
400,001 – 600,000	26
600,001 – 1,000,000	28
Exceeding 1,000,000	30

The proposed revisions to the resident individual income tax rate structure introduce a new chargeable income band of RM100,001 to RM150,000, which will be taxed at 24%, compared to the current rate of 25%. In addition, the tax rate applicable to chargeable income between RM70,001 and RM100,000 will be reduced from 19% to 18%.

Concurrently, the threshold for the highest marginal tax rate of 30% is proposed to be reduced from chargeable income exceeding RM2 million to chargeable income exceeding RM1 million.

Commentary

Notwithstanding the proposed reduction in the threshold for Malaysia's top marginal tax rate from RM2 million to RM1 million of chargeable income, Malaysia's 30% top marginal tax rate remains comparatively competitive within the region. The rate remains lower than those imposed in Indonesia, Thailand, the Philippines and Vietnam (35%), while remaining higher than those in Singapore (24%), Laos and Myanmar (25%), and Cambodia (20%).

From a regional competitiveness perspective, the proposed changes reflect a measured approach to enhancing the progressivity of the individual income tax system while maintaining Malaysia's position as a relatively competitive personal tax jurisdiction within South East Asia.

Chargeable Income (RM)	Tax Rate (%)	Annual Taxable Income Threshold (USD)
Indonesia	35%	278,956
Thailand	35%	148,588
Philippines	35%	127,186
Vietnam	35%	46,333
Malaysia	30%	244,500
Laos	25%	13,354
Myanmar	25%	14,285
Singapore	24%	781,250
Cambodia	20%	44,324

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Individual Tax (cont'd)

Personal reliefs

The proposed changes to the personal reliefs are effective from YA 2027:

Personal relief	Proposal
Self	Increase from RM 9,000 to RM12,000.
Expenses for parents or grandparents	Expand to cover all caregiving expenses, not limited to medical expenses.
Lifestyle (sports-related)	Expand to include the purchase of sport shoes, capped at RM300.
Lifestyle	Expand to include expenses relating to: • Subscriptions to Artificial Intelligence (AI) software and applications; • Pet vaccination and spaying or neutering procedures provided by registered veterinary services; and • Pet adoption fees paid to registered animal shelters.
Contributions to PERKESO (Social Security Organisation)	• Expand to cover the mandatory contributions to the Self-Employment Social Security Scheme (LINDUNG KENDIRI) of 3 mandatory sectors (passenger transport, goods or food transport and hawkers). • Additional relief of up to RM150 for voluntary contributions to the Non-Employment Injury Scheme (LINDUNG 24 JAM) and 17 non-mandatory sectors under LINDUNG KENDIRI.
Tourism relief	Extend from YA 2026 to YA 2027.
• Medical expenses for self, spouse or child • Purchase of breastfeeding equipment for child aged 2 years and below	• To merge and be reclassified as "Health and Well-being", with an overall relief limit remained at RM10,000. • Scope of qualifying expenses, including breastfeeding equipment, remain unchanged. • Expand to include postpartum care services provided by a confinement centre or qualified individual, capped at RM3,000.

• Education and skills training
• Lifestyle (upskilling/ self-enhancement course fees)
	• To merge and be reclassified as "Education and Skills Training Fees", with an overall relief limit of RM7,000.
	• Scope is revised to cover the following expenses:
	  • Courses or studies recognized by any regulatory agency at the Certificate, Diploma, Bachelors, Masters or Doctor of Philosophy level in any field of study at any local institution or professional body in Malaysia recognised by the Government of Malaysia or approved by the Minister of Finance.
	  • Upskilling or self-enhancement courses or studies for self or spouse in the field of Technical and Vocational Education and Training (TVET) recognised by the Director General of Skills Development, capped at RM 3,000.
	  • An overall relief capped at RM 2,000 for undertaking:
	  a. Non-employment related courses, training, skills and self-enhancement classes undertaken by the taxpayer or spouse; or
	  b. Courses, training, classes or tuition for children in the field of Science, Technology, Engineering and Mathematics (STEM), arts, languages and religion.

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Individual Tax (cont'd)



Ang Weina
Global Employer Services Leader

Budget 2027 is principally directed towards enhancing the financial resilience of Malaysia's middle-income households through a combination of tax reductions, expanded relief measures and housing-related incentives.

Particular emphasis is placed on supporting the "sandwich generation", with enhanced reliefs intended to alleviate the financial burden of caring for both dependent children and ageing parents. The Budget further seeks to strengthen long-term economic competitiveness through the extension of tax reliefs for artificial intelligence (AI) subscription services and upskilling expenditures.

Collectively, these measures reflect a balanced approach that addresses immediate cost-of-living challenges while advancing broader objectives of financial security, workforce readiness and sustainable economic growth.

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Stamp Duty

Stamp duty exemption for the purchase of a first residential home

It is proposed that stamp duty exemption on loan agreements and instruments of transfer for the purchase of a first residential home by Malaysian citizens be enhanced as follows:

a) Homes priced up to RM500,000: 100% stamp duty exemption.
b) Homes priced above RM500,000 and up to RM750,000: 100% exemption on the first RM500,000 of the home price and 50% exemption on the portion exceeding RM500,000 and up to RM750,000.

The above exemption shall apply to loan agreements and instruments of transfer relating to sale and purchase agreements executed from 1 January 2027 to 31 December 2030.

Stamp duty exemption for the revival of abandoned housing projects

It is proposed that 100% stamp duty exemption be reintroduced to loan agreements and instruments of transfer executed by rescue contractors or developers and original purchasers in relation to the revival of abandoned housing projects certified by the Ministry of Housing and Local Government. This is applicable to loan agreements and instruments of transfer executed from 1 January 2027 until 31 December 2030.

Stamp duty treatment for loans or financing under the CAKNA Scheme

It is proposed that the remission of stamp duty exceeding RM10 on principal loan or financing agreements under the CAKNA Scheme for MSMEs and small contractors undertaking Government contracts be revised as follows:

a) CAKNA I: The remission would be extended for two years, covering agreements executed from 1 January 2029 to 31 December 2030.
b) CAKNA II: The remission would be reintroduced for agreements executed from 1 January 2027 to 31 December 2030.

Stamp duty on loan agreements by mid-tier companies

It is proposed that stamp duty in excess of RM10 be remitted on second-tier agreements between mid-tier companies (MTCs) and financial institutions for excess credit facilities provided to MSMEs. This would apply to agreements executed from 1 January 2027 to 31 December 2030, subject to the following conditions:

a) MSME suppliers have fulfilled contracts for the supply of goods or services to MTCs.
b) MSME suppliers are not parent company, subsidiary or related to the MTCs.

Stamp duty on first-tier agreements would remain at the ad valorem rate of 0.5%.

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Stamp Duty (cont'd)

Stamp duty on loan or financing agreements through peer-to-peer (P2P) platforms

It is proposed that stamp duty in excess of RM10 be remitted on P2P loan or financing agreements between MSMEs and investors executed from 1 January 2027 to 31 December 2030.

Stamp duty exemption for opening savings and current accounts

It is proposed that 100% stamp duty exemption be given to instruments executed by individuals or businesses for opening savings and current accounts containing an undertaking that creates a specific legal obligation, indemnity, guarantee or liability. This exemption shall be effective from 1 January 2027.

Stamp duty treatment for foreign currency loan or financing agreements

It is proposed that stamp duty on foreign currency loan or financing agreements for financing from banks in Malaysia be capped as follows:

a) RM2,000 for loans or financing up to RM100 million; and
b) RM5,000 for loans or financing exceeding RM100 million.

This is applicable to loan or financing agreements executed from 1 January 2027.

Stamp duty treatment of loan or financing agreement for shipping companies

It is proposed that stamp duty on loan or financing agreements for the purchase or construction of Malaysian ships be capped as follows:

a) RM2,000 for loans or financing up to RM100 million; and
b) RM5,000 for loans or financing exceeding RM100 million.

This is applicable to loan or financing agreements executed from 1 January 2027.



Tan Hooi Beng
Southeast Asia International Tax Leader

While the proposed stamp duty measures are welcomed and demonstrate the Government's commitment to reducing transaction costs and improving access to financing, further reforms could be considered to enhance Malaysia's competitiveness as a business and investment hub. In particular, broader stamp duty exemptions or reliefs for genuine intra-group restructuring and financing transactions would help facilitate corporate reorganisation, treasury management and business expansion without creating unnecessary tax friction. Additional guidance on the stamp duty treatment of modern financing and capital market arrangements would also be welcomed to provide greater certainty for taxpayers and investors.

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Others

Income tax deduction for contributions to the Dapur Siswa MADANI Programme

RM20 million will be allocated to expand the Dapur Siswa MADANI Programme to polytechnics and teacher education institutes, providing cooking equipment, food supplies and RM5 student meals. It is proposed that tax deductions will be given to parties contributing food and equipment to the programme from 1 January 2027 to 31 December 2030.

Income tax deduction for repayment of National Higher Education Fund Corporation (PTPTN) loan by employers on behalf of employees

It is proposed that tax deduction be given to employers who repay PTPTN loan on behalf of employees, subject to the following conditions:

i. The employer shall not impose any payment to the employee as a consideration for the PTPTN loan made by the employer;
ii. The employee must be a full-time employee; and
iii. The employee must not be the owner of the business or have family ties with the employer.

The proposed tax deduction applies to PTPTN loan repayment made by employers from 1 January 2027 to 31 December 2028.

Expansion of permitted use of School Public Contribution Fund (TSUWAS)

It is proposed that the permitted use of TSUWAS funds be expanded to include the following effective YA 2027:

- Administrative and operating expenses;
- Repairs and maintenance;
- Procurement of equipment; and
- School programmes for students.

The existing tax deduction on cash contributions made by individuals and companies to TSUWAS of up to 10% of aggregate income remains unchanged.

Contributions to public universities

It is proposed that contributions to public universities will be eligible for income tax deductions of up to 10% of aggregate income.

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Abbreviations and Acronyms

Accelerated Capital Allowance	ACA
Green Investment Tax Allowance	GITA
Gross Domestic Product	GDP
Inland Revenue Board	IRB
Information and Communication Technology	ICT
Malaysian Investment Development Authority	MIDA
Micro, Small and Medium Enterprise	MSME
Ministry of Finance	MOF
Ringgit Malaysia	RM
Year of Assessment	YA

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