

# Budget 2026

Updated 4 December 2025



Malaysia's Budget 2026 was tabled in Parliament on 10 October 2025. It marks the first Budget under the 13th Malaysia Plan (13MP) 2026–2030, while reaffirming the three pillars of Ekonomi MADANI - Raising the Ceiling of National Growth, Raising the Floor of Living Standards, and Driving Reform and Good Governance.

Amid global uncertainties and growing competition, Budget 2026 will remain focused on advancing Malaysia's long-term economic reform agenda, while also addressing near-term challenges to sustain growth and safeguard economic resilience. At the same time, it will enhance the well-being of the rakyat through targeted, outcome-driven measures aimed at improving overall quality of life.

This Budget Adviser outlines numerous updates on the various existing tax measures, as well as new tax initiatives.

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# Individual Tax

## 1. INCOME TAX ON PROFIT DISTRIBUTIONS RECEIVED BY PARTNERS IN A LIMITED LIABILITY PARTNERSHIP

Currently, the income tax treatment for Limited Liability Partnerships (LLP) are as follows:

- i. Income received by an LLP is taxed at the corporate tax rate at 15%, 17% and 24%; and
- ii. Profit distributions received by partners from an LLP are exempt from tax under Paragraph 12C, Schedule 6, Income Tax Act 1967.

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

To enhance the individual income tax structure to be more progressive and broaden the tax base, it is proposed that profit distributions received by partners from an LLP be taxed as follows:

Item	Description
Scope of taxation	<ol style="list-style-type: none"><li>i. Income in the form of profit distributions (in cash or in kind) received by individual partners from an LLP. If the profit distributed is in kind, the market value of the profits at the time of distribution shall be taken; and</li><li>ii. Individual LLP partners consisting of resident and non-resident individuals.</li></ol>
Threshold and formula to determine chargeable income	<p><u>Threshold</u> Income in the form of profit distributions exceeding RM100,000 per year is subject to tax</p> <p><u>Formula</u> If partners have income in the form of profit distributions from the LLP and other types of income, the apportionment of the total chargeable income is determined based on the following formula:</p> $\frac{A}{B} \times C = D$ <p>A - Profit distributions received from LLP (deemed as statutory income of partners) B - Aggregate income of partners C - Chargeable income of partners D - Chargeable income from profit distributions from LLP</p>
Tax rate	2% on chargeable income from profit distributions after taking into account allowable relief and deduction.
Tax payment mechanism	Partners are required to report the profit distributions received from an LLP in the Income Tax Return Form for the relevant year of assessment and submit the prescribed information and supporting documents via Malaysia Income Tax Reporting System (MITRS) within 30 days.

**Effective date :** From year of assessment 2026

# Corporate Tax

## 1. TAX DEDUCTION ON RENOVATION AND REFURBISHMENT FOR TOURISM PROJECTS

Currently, renovation and refurbishment expenses incurred for business premises are not allowable for tax deductions under Section 33(1) of the Income Tax Act 1967.

To encourage tourism project operators to upgrade and refurbish their business premises in order to enhance the quality of domestic tourism products in line with Visit Malaysia Year 2026, it is proposed that tourism project operators registered with the Ministry of Tourism, Arts and Culture (MOTAC) undertaking renovation and refurbishment works for business purposes be allowed a tax deduction on qualifying expenditure incurred, up to a maximum of RM500,000.

**Effective date :** For qualifying expenditure incurred from 11 October 2025 to 31 December 2027

## 2. ACCELERATED CAPITAL ALLOWANCE FOR PLANT, MACHINERY AND ICT EQUIPMENT

Currently, companies are allowed to claim capital allowance on qualifying capital expenditure incurred for business purposes under Schedule 3 of the Income Tax Act 1967 as follows:

Types of Assets	Initial Allowance (%)	Annual Allowance (%)
Motor vehicle, heavy machinery	20	20
Plant and general machinery	20	14
Others	20	10
ICT equipment and computer software	40	20

To further promote domestic direct investment and accelerate the adoption of digital technology among businesses, it is proposed that qualifying capital expenditure be given Accelerated Capital Allowance (ACA) which can be fully claimed by companies within 2 years as follows:

Qualifying Expenditure	Capital Allowance Rate (%)
Procurement of heavy machinery from local manufacturers	Initial Allowance: 20  Annual Allowance: 40
Procurement of plant and general machinery from local manufacturers	
Purchase of ICT equipment and computer software	
Consultation, licensing and incidental fees related to customised computer software development	

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

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# Corporate Tax

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## 3. TAX TREATMENT FOR PUBLIC UNIVERSITY TEACHING HOSPITALS ENDOWMENT FUNDS

Currently, endowment funds established by public universities are eligible for tax treatment under Section 44(11D) Income Tax Act (ITA) 1967. The eligible public universities are as follows:

- 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 establishment of public university endowment funds is subject to the following conditions:

- i. contributions must be in the form of cash;
- ii. the total contribution sum shall be preserved; and
- iii. only the income or returns generated from the fund can be expended in line with the fund's objectives.

The tax treatment accorded to endowment funds is as follows:

- i. donors are eligible for tax deduction equivalent to the amount of the contribution, subject to a maximum of 10% of aggregate income; and
- ii. contributions received including the income generated from the endowment fund are exempt from income tax.

To ensure the financial sustainability of public university teaching hospitals in providing quality healthcare services, it is proposed that such public university teaching hospitals be allowed to establish endowment funds in which the cash contributions made to these funds to be given tax deduction under Section 44(11D) ITA 1967, provided that the endowment funds are governed and managed solely by the public university teaching hospitals, in line with the prescribed guidelines.

**Effective date :** From year of assessment 2026

## 4. RESTRUCTURING OF INSTALMENTS FOR INCOME TAX ESTIMATION

Currently, the first instalment payment for the tax estimate commences from the second month of the taxpayer's basis period and will continue until the first month of the basis period for the subsequent year of assessment.

It is proposed that the first instalment of the tax estimate for a year of assessment commences in the first month of the basis period for that year of assessment and the last instalment will be in the twelfth month of the basis period for that year of assessment.

A transitional provision will apply to year of assessment 2027, where the instalment payment will commence in the second month of the basis period and the last instalment will be in the twelfth month of the basis period for that year of assessment.

**Effective date :** From year of assessment 2028

# Corporate Tax

## 5. ACCELERATED CAPITAL ALLOWANCE ON SPEED LIMITATION DEVICES FOR HEAVY VEHICLES

The Government has announced the compulsory use of Speed Limitation Devices (SLD) on commercial vehicles as part of efforts to enhance road safety and reduce the risk of fatalities involving heavy vehicles.

The enforcement of SLD installation on heavy vehicles will be implemented in phases as follows:

Phase	Description / Implementation
1	Verification of SLD functionality for heavy vehicles manufactured on or after 1 January 2015 has been enforced from 1 October 2025.
2	Activation of the SLD within the ECU for heavy vehicles manufactured before 1 January 2015 will be compulsory from 1 January 2026.
3	Retrofit installation of SLD devices for heavy vehicles manufactured before 1 January 2015 that are not equipped with an SLD system will be mandated from 1 July 2026.

The purchase of SLD devices qualifies for capital allowance under Schedule 3 of the Income Tax Act 1967, classified under the “Other Assets” category, with an Initial Allowance of 20% and an Annual Allowance of 10%.

To support efforts in reducing road accidents through the installation of SLD devices on heavy vehicles, it is proposed that Accelerated Capital Allowance (ACA) be given on expenditure for the purchase of SLD devices, up to RM4,000 per unit, subject to the following conditions:

Conditions	Capital Allowance Rate (%)
i. the SLD retrofit installation must be certified by a Verification Body recognised by the Road Transport Department.	Initial Allowance: 20  Annual Allowance: 80
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: a. goods vehicles with a Gross Vehicle Weight (GVW) exceeding 3,500 kg; and b. 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.	

**Effective date :** This ACA applies to SLD installations carried out from 1 January 2026 to 31 December 2026

# Real Property Gains Tax

## 1. TIME LIMIT FOR UNABSORBED RPGT LOSSES

Currently, losses arising from the disposal of real property (RPGT losses) are allowed as a deduction against chargeable gains from the subsequent disposal in the same year of assessment in which the disposal was made. Any unabsorbed RPGT losses from the disposal shall be carried forward indefinitely.

To strengthen operational efficiency and in line with the Self Assessment System, it is proposed that any unabsorbed RPGT losses for the year of assessment 2026 onwards shall be carried forward for a maximum period of 10 consecutive years of assessment immediately following that year of assessment. Any amount that has not been utilised at the end of the period of ten consecutive years of assessment shall be disregarded, as illustrated below:

RPGT losses for the year of assessment 2026 onwards												
YA	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
		1	2	3	4	5	6	7	8	9	10	disregarded
		Ten consecutive years of assessment										

As a transitional provision, any accumulated RPGT losses up to the year of assessment 2025 shall be carried forward until year of assessment 2035. Any amount that has not been utilised at the end of the year of assessment 2035 shall be disregarded, as illustrated below:

Transitional period : unabsorbed RPGT losses up to the year of assessment 2025											
YA	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Accumulated losses up to YA 2025	1	2	3	4	5	6	7	8	9	10	disregarded
	Ten consecutive years of assessment										

**Effective date :** From year of assessment 2026

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# Real Property Gains Tax

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## 2. REVIEW OF APPLICATION FOR RELIEF OTHER THAN IN RESPECT OF ERROR OR MISTAKE

Currently, in the event that the taxpayer disagrees with the decision of Director General of Inland Revenue Board of Malaysia (DGIR) for the application for relief other than in respect of error or mistake, the taxpayer may, within six months after being informed of the decision, submit a “written request” to the DGIR to forward the application for relief to the Special Commissioners of Income Tax (SCIT). The DGIR shall forward the application to the SCIT within three months from the date of receipt of the request.

To enhance efficiency and streamline the relief application process, it is proposed that the written request to the DGIR shall be made through a prescribed form.

**Effective date :** From 1 January 2026

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# Capital Gains Tax

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## 1. CAPITAL GAINS TAX (CGT)

The Finance Bill 2025 released on 18 November 2025 made some clarifications to the scope of CGT, disposal by a nominee, definition of disposal and date of completion.

Some of the salient points/clarifications in the Finance Bill 2025 are as follows:

### A. Scope of CGT

CGT shall apply to the gains or profits arising from the disposal of:

- i. shares of unlisted company incorporated in Malaysia;
- ii. shares of a controlled company incorporated outside Malaysia deriving value from real property in Malaysia and/or another controlled company under Section 15C of the ITA; or
- iii. movable or immovable property situated outside Malaysia, received in Malaysia.

**Effective date :** From 1 January 2026

### B. Disposal by a Nominee

In relation to capital asset held by a person as a nominee for “a company, limited liability partnership, trust body or co-operative society” (hereinafter referred to as beneficial owner).

It is clarified that:

- CGT is to be imposed on the beneficial owner for the disposal by its nominee.
- CGT would not apply to any disposal/acquisition between the nominee and the beneficial owner.

**Effective date :** From 1 January 2026

### C. Definition of Disposal

Currently, "disposal" means to sell, convey, transfer, assign, settle or alienate, whether by agreement or by force of law, and includes disposal of shares effected through capital reduction and share buyback.

It is proposed that the definition of “disposal” is to be expanded to include the following:

- i. An extinguishment of any rights due to dissolution or winding up of a company;
- ii. Share conversion;
- iii. Share redemption; and
- iv. Any events resulting in the cessation of share ownership.

**Effective date :** From 1 January 2026

# Capital Gains Tax

## 1. CAPITAL GAINS TAX (CGT) (CONT'D)

### D. Clarification on Date of Completion for Disposal Without a Written Agreement

For disposal without a written agreement, the date of disposal is the date of completion of the disposal.

	Current	Proposed
Definition of date of completion	<p>i. The date of transfer of share ownership; or</p> <p>ii. The date of disposer receiving full consideration</p> <p>(whichever earlier)</p>	<p><u>For disposals including capital reduction, share conversion, share redemption or similar events resulting in the cessation of share ownership</u></p> <p>i. The date on which:</p> <p>a) share ownership is transferred by the disposer;</p> <p>b) share ownership by the disposer ends,</p> <p><b>and the disposal is deemed to take place when all requirements under any written law for such disposal have been complied with; or</b></p> <p>ii. The date of disposer receiving full consideration</p> <p>(whichever earlier)</p> <p><u>For dissolution or winding up of a company</u></p> <p>i. The date on which the disposer's rights are extinguished,</p> <p><b>and the disposal is deemed to take place when all requirements under any written law for such disposal have been complied with; or</b></p> <p>ii. The date of disposer receiving full consideration</p> <p>(whichever earlier)</p>

**Effective date :** From 1 January 2026

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# Tax Incentive

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## 1. TAX INCENTIVES FOR TOUR OPERATORS

From year of assessment 2007 to year of assessment 2020, companies operating tourism packages were given 100% tax exemption on statutory income derived from the following tourism business activities:

- i. Domestic tourism packages participated by at least 1,500 local tourists annually in a basis period for a year of assessment; and
- ii. Inbound tourism packages participated by at least 750 foreign tourists annually in a basis period for a year of assessment.

To minimize the impact of COVID-19 to tourism sector, from year of assessment 2021 to year of assessment 2022, the incentive was reviewed and extended as follows:

- The threshold for domestic tourism packages was reduced to 200 local tourists annually, with no minimum requirement for foreign tourists for inbound tourism packages in a basis period for a year of assessment.

To further encourage tourism operator for Visit Malaysia Year 2026, it is proposed that tour operators be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:

- i. The operator must bring in at least 1,000 foreign tourists annually; and
- ii. The incremental income refers to the difference between the qualifying income derived from the business of operating inbound tourism packages to Malaysia during the basis period and the income from the preceding basis period.

**Effective date :** From year of assessment 2026 to year of assessment 2027

## 2. TAX DEDUCTION FOR RENOVATION AND CONVERSION OF COMMERCIAL BUILDING TO RESIDENTIAL

To encourage the repurposing of commercial buildings for residential use, it is proposed that a special tax deduction of up to 10% be granted on qualifying renovation and conversion expenditure, up to a maximum of RM10,000,000.

Further details are expected to be released in due course.

# Tax Incentive

## 3. TAX INCENTIVES FOR ORGANISING INTERNATIONAL INCENTIVE TRIPS, CONFERENCES AND TRADE EXHIBITIONS

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

Entity	Tax incentive
Companies, associations, or organisations whose main activity is promoting and organising conferences	<ul style="list-style-type: none"><li>i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants in the basis period for a year of assessment;</li><li>ii. Effective from the year of assessment 1997</li></ul>
Entities whose main activity is other than promoting and organising conferences	<ul style="list-style-type: none"><li>i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants in the basis period for a year of assessment</li><li>ii. Effective from the year of assessment 2020 to year of assessment 2025.</li></ul>

To promote international incentive trips, conferences and trade exhibitions (MICE) in conjunction with Visit Malaysia Year 2026, it is proposed that the above tax incentives be reviewed as follows:

- i. 100% income tax exemption on statutory income for organisers verified by Ministry of Tourism, Arts and Culture (MOTAC), subject to bringing in:
  - a. at least 1,500 foreign participants for incentive trips annually; or
  - b. at least 2,000 foreign participants for conferences annually; or
  - c. at least 3,000 foreign participants for trade exhibitions annually.
- ii. The incentive be extended for 2 years.

**Effective date :** From year of assessment 2026 to year of assessment 2027

## 4. TAX DEDUCTION FOR CONDUCTING SPORTS DEVELOPMENT PROGRAMMES

To promote sports development programmes, the government shall allow organisations approved by the Inland Revenue Board of Malaysia to utilise a portion of its income received to conduct sports activities.

Further details are expected to be released in due course

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# Tax Incentive

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## 5. TAX INCENTIVES FOR SCHOLARSHIPS

Currently, double deduction is granted to companies that provides scholarships to Malaysian student pursuing studies at Technical and Vocational Certificate, Diploma, Bachelor's Degree, Master's Degree or Doctor of Philosophy Levels.

The criteria are as follows :

- i. Malaysian citizen and resident in Malaysia;
- ii. pursue full-time studies;
- iii. has no source of income; and
- iv. the total household income of the parents or guardians does not exceed RM10,000 per month.

To encourage greater participation from private sector in sponsoring students by providing scholarships to meet the demand of the employment market, it is proposed that the double deduction be reviewed as follows:

- i. the scope of qualifying studies be expanded to include Sijil Teknik Vokasional/Diploma/Degree and qualified professional certification courses such as information and communication technology (ICT), engineering, accounting and finance;
- ii. the total household income of the parents or guardians does not exceed RM15,000 per month; and
- iii. the tax incentive period be extended for 5 years from the year of assessment 2026 to the year of assessment 2030.

**Effective date :** From year of assessment 2026 to year of assessment 2030



# Tax Incentive

## 6. TAX INCENTIVE FOR FOOD SECURITY PROJECTS

Currently, the following tax incentives are available for food production projects:

Eligible Companies	Tax Incentive
Companies investing in subsidiary companies engaging in new food production projects	<ul style="list-style-type: none"><li>• Tax deduction equivalent to the investment amount in the basis year when the investment was made</li></ul>
Companies engaging in food production projects	<ul style="list-style-type: none"><li>• New projects are given 100% income tax exemption on statutory income for 10 years of assessment; or</li><li>• Expansion projects by existing companies are given 100% income tax exemption on statutory income for 5 years of assessment</li></ul>

The above incentives are for application received by Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2025.

It is proposed that the Tax Incentive for Food Production Projects be rebranded as the Tax Incentive for Food Security Projects. To ensure the sustainability of national food security and to encourage greater participation of industry players in the agriculture sector, it is further proposed that tax incentive be granted to companies undertaking food security projects as follows:

Eligible Companies	Tax Incentive
Companies engaging in new projects	<ul style="list-style-type: none"><li>• 100% income tax exemption on statutory income for 10 years of assessment; and</li><li>• The tax exemption be given on income generated from sales in domestic markets</li></ul>
Existing companies undertaking expansion projects	<ul style="list-style-type: none"><li>• 100% income tax exemption on statutory income for 5 years of assessment; and</li><li>• The tax exemption be given on income generated from sales in domestic markets</li></ul>

**Effective date :** Application received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2026 to 31 December 2030

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# Tax Incentive

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## 7. INCOME TAX DEDUCTION ON CONTRIBUTIONS FOR INTEGRITY AND ANTI-CORRUPTION PROGRAMMES / ACTIVITIES

Currently, any person with business income is eligible for tax deduction under Section 34(6)(h) of the Income Tax Act 1967 in respect of expenses incurred in organising integrity and anti-corruption programmes, subject to the following conditions:

- i. organised in collaboration with the Malaysian Anti-Corruption Commission (MACC);
- ii. benefits the public and is apolitical;
- iii. not profit-oriented and no participation fee is imposed; and
- iv. not related to the company's core business activities and is undertaken on a voluntary basis.

To support the objectives of the National Anti-Corruption Strategy (NACS) 2024 - 2028 which aims to strengthen organisational integrity and encourage wider public participation in anti-corruption initiatives, it is proposed that :

- i. anti-corruption education programmes organised by the Civil Society Organisations (CSOs) be approved as national interest projects under Section 44(11C) of the Income Tax Act 1967, subject to the following conditions:
  - a. The programmes or activities are recognised by the MACC;
  - b. The initiatives serve the interest of the public and do not involve or promote sensitive issues relating to politics, race and religion;
  - c. The programmes are not profit-oriented and no participation fees are levied; and
  - d. The programmes are implemented within the period from 1 January 2026 to 31 December 2028.
- ii. income tax deduction up to 10% of aggregate income shall be granted in respect of cash contribution to approved anti-corruption education programmes organised by CSOs.

**Effective date :** Application received by the Ministry of Finance from 1 January 2026 to 31 December 2028

# Tax Incentive

## 8. REVIEW OF TAX INCENTIVE FOR VENTURE CAPITAL

Currently, tax incentives for venture capital are as follows:

Incentive	Exemption / Deduction	Conditions
Venture Capital Company (VCC)	<ul style="list-style-type: none"> <li>Exemption of income tax on statutory income derived from all sources of income except interest income from savings or fixed deposits and profits from Shariah-based deposits commencing from the year of assessment in the basis period the VCC obtains its first certification from the Securities Commission (SC) and the first certification shall not be later than 31 December 2026;</li> <li>The exemption is given for 5 years of assessment or the remaining life of the fund established for the purpose of investing in a start-up venture company (VC), whichever is the lesser; and</li> <li>Application for exemption shall be made to the Minister through SC on or after 27 October 2017 but not later than 31 December 2023</li> </ul>	<ul style="list-style-type: none"> <li>At least 50% of its invested funds in the form of seed capital financing, start-up financing, early stage financing or any combination of such financing in VC;</li> <li>VCC is registered with the SC on or after 27 October 2017 but not later than 31 December 2023;</li> <li>VCC has not invested in a VC which is its related company at the point of the first investment; and</li> <li>VCC and VC must be incorporated under the Companies Act 2016</li> </ul>
Venture Capital Management Corporation (VCMC)	<ul style="list-style-type: none"> <li>Exemption of income tax on the share of profits, management fee and performance fee including performance bonus and carried interest on any investment made by the VCC as stipulated in the agreement entered into between the VCMC and the VCC</li> </ul>	<ul style="list-style-type: none"> <li>VCMC that is registered with the SC</li> </ul>
Investment in a Venture Company (VC)	<ul style="list-style-type: none"> <li>Companies or individual with business income that make an investment in a VC are given a tax deduction equivalent to the value of investment made in a VC at the adjusted income level</li> </ul>	<ul style="list-style-type: none"> <li>For investment in a VC and VCC, the company or individual shall obtain certification from the SC; and</li> <li>The company or individual shall make an investment on or after 27 October 2017 but not later than 31 December 2026</li> </ul>
Investment in VCC	<ul style="list-style-type: none"> <li>Companies or individual with business income that make an investment in a VCC are given a tax deduction equivalent to the value of investment or RM20 million, whichever is lesser</li> </ul>	

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# Tax Incentive

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## 8. REVIEW OF TAX INCENTIVE FOR VENTURE CAPITAL (cont'd)

To further encourage investment by VCC, the following tax treatment is proposed:

### i. **Venture Capital Company**

- a. A corporate tax rate of 5% is proposed to be imposed on all income of the VCC, except for interest or 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.
- b. 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; and
- c. The tax incentive is expanded to 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 Income Tax Act 1967.

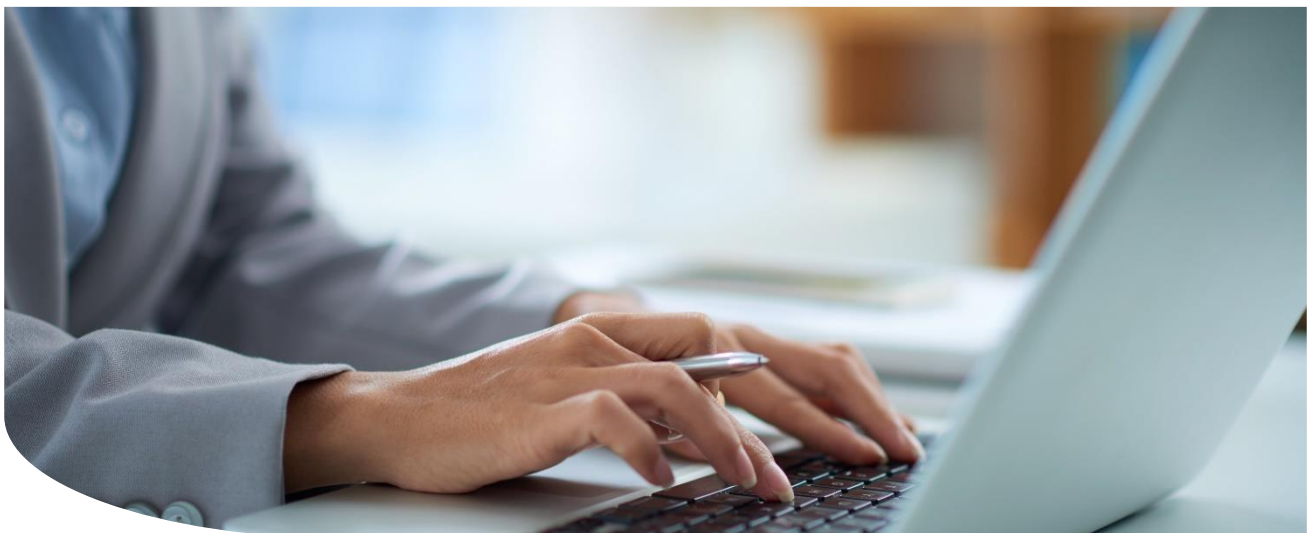
### ii. **Venture Capital Management Company**

A tax rate of 10% is imposed on income derived from the share of profits, management fees and performance fees from the year of assessment 2025 to year of assessment 2035.

### iii. **Individual Shareholders of VCC**

Exemption of income tax (i.e. dividend tax exemption) on dividends paid, credited or distributed by VCC to individual shareholders at the first level from the year of assessment 2025 to year of assessment 2035.

**Effective date :** From year of assessment 2025



# Indirect Tax

## 1. REVIEW OF EXCISE DUTY RATE ON CIGARETTES, CIGARS, CHERROOTS, CIGARILLOS AND HEATED TOBACCO PRODUCTS

The following is subject to excise duty (current and revised) as follows:

Tariff code	Description	Current Excise Duty Rate	Revised Excise Duty Rate
2402.10.0000	Cigars, cheroots and cigarillos containing tobacco	RM400.00 per kilogram	RM440.00 per kilogram
2402.20.2000	Clove cigarettes	40 sen per stick @ RM8.00 per packet *	42 sen per stick @ RM8.40 per packet *
2402.20.9000	Other	40 sen per stick @ RM8.00 per packet *	42 sen per stick @ RM8.40 per packet *
2402.90.1000	Cigars, cheroots and cigarillos of tobacco substitutes	RM400.00 per kilogram	RM440.00 per kilogram
2402.90.2000	Cigarettes of tobacco substitutes	40 sen per stick @ RM8.00 per packet *	42 sen per stick @ RM8.40 per packet *
2404.11.0000	Products intended for inhalation without combustion containing tobacco or reconstituted tobacco	RM778.00 per kilogram of tobacco content	RM798.00 per kilogram of tobacco content

\* Note: One cigarette packet contains 20 cigarette sticks.

The proposed revision is to be in line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control and as part of efforts to reduce the consumption of smoking products for the well-being of the people:

- Excise duty rate on cigarettes be increased in phases, starting with a rise of 2 sen per stick or 40 sen per packet;
- Excise duty rate on cigars, cheroots and cigarillos be increased in phases, starting with a rise of RM40 per kilogram; and
- Excise duty rate on heated tobacco products be increased in phases, starting with a rise of RM20 per kilogram of tobacco content.

**Effective date :** From 1 November 2025

# Indirect Tax

## 2. REVIEW OF EXCISE DUTY RATE ON ALCOHOLIC BEVERAGE PRODUCTS

Currently, alcoholic beverage products are subject to excise duty as follows:

Tariff code	Product	Excise Duty Rate (RM) (per 100% vol. per liter)
22.03	Beer made from malt	175.00
2204.10.0000	Sparkling wine	450.00
2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20, 2208.30, 2208.40.0000, 2208.50.0000, 2208.60.0000	Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka	150.00
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	Cider and perry, sake, shandy, wine (vegetable & fruit juice), other rice wine, liqueurs and cordials, arrack or pineapple spirit	60.00
2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	Samsu (including medicated samsu)	60.00
2206.00.3100, 2206.00.3900, 2206.00.5000, 2206.00.9900, 2208.90.7000, 2208.090.8000	Coconut palm toddy, mead, bitters	40.00
2207.10.0000	Undenatured ethyl alcohol	22.50 and 15%
2207.20	Ethyl alcohol and other spirits	1.10 and 15%

It is proposed that excise duty rate on alcoholic beverage products be increased by 10%. This is to reduce access to alcoholic beverage products and promote a healthier lifestyle.

**Effective date :** From 1 November 2025

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# Stamp Duty

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## 1. REVIEW OF WAGE THRESHOLD FOR STAMP DUTY EXEMPTION ON EMPLOYMENT CONTRACTS

Currently, stamp duty is exempted for employment contracts involving monthly wages not exceeding RM300 pursuant to Item 4 of the First Schedule, Stamp Act 1949.

In order to reduce the cost of doing business, it is proposed the wage threshold for stamp duty exemption on employment contracts be increased from RM300 to RM3,000 per month.

**Effective date :** Employment contracts executed from 1 January 2026

## 2. STAMP DUTY EXEMPTION ON CONTRACT NOTES FOR BUY-SIDE TRANSACTION OF STRUCTURED WARRANTS

Currently, stamp duty at a rate of 0.1% is chargeable on contract notes for the sale and purchase transactions of structured warrants pursuant to Item 31(b) of the First Schedule, Stamp Act 1949.

In order to promote the growth of the capital market and enhance Malaysia's competitiveness at the regional level, it is proposed the stamp duty on the contract notes for buy-side structured warrant transaction be exempted for 3 years.

**Effective date :** Buy-side structured warrant transactions executed from 1 January 2026 to 31 December 2028



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# Others

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## 1. VEHICLE EXEMPTION IN LANGKAWI AND LABUAN

Currently, vehicles imported and registered in Langkawi and Labuan are exempted from taxes.

In order to prevent the abuse of vehicle tax exemptions in these locations, it is proposed that effective from 1 January 2026, no exemption will be granted for luxury vehicles valued at over RM300,000.

Base on the Budget Speech, it is unclear whether the removal of exemption applies to import duty, excise duty as well as sales tax.

Further details are expected to be released in due course.

## 2. TAX DEDUCTION FOR CONTRIBUTIONS MADE TO CHARITY PROGRAMMES OR WELFARE FUNDS

In the Budget Speech, it is proposed that companies and individuals who contribute to the following are eligible for income tax deduction:

- i. Kampung Angkat dan Sekolah Angkat MADANI, Sejahtera MADANI programme; and
- ii. Akaun Amanah Jabatan Muzium Malaysia.

In addition, the speech also mentioned that private hospitals are allowed to establish a Hospital Welfare Fund and to be managed by a Company Limited By Guarantee. It is proposed that the income received by the fund be exempted from tax, and the donor will be eligible for income tax deduction.

Further clarifications required on the conditions for the tax deduction.



# Summary of Extension of Time and Expansion of Scope

## INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
<p>1. Income tax relief on:</p> <p>(a) Life insurance premiums or family takaful contributions for self, spouse up to RM3,000; and</p> <p>(b) Education and medical insurance premiums for self, spouse or children up to RM4,000.</p>	Not applicable	<ul style="list-style-type: none"><li>With regards to (a), the scope is expanded to include children</li><li>The eligibility criteria of the insured children to claim the insurance premiums and takaful contributions under (a) and (b) are as follows:<ul style="list-style-type: none"><li>i. Aged below 18 and unmarried;</li><li>ii. Aged 18 and above, unmarried and pursuing tertiary education; or</li><li>iii. <a href="#">Unmarried and serving under articles or indentures with a view to qualifying in a trade or profession;</a> or</li><li>iv. <a href="#">Unmarried and physically or mentally disabled in accordance with any written law</a></li></ul></li></ul> <p><b>Effective date :</b> From YA 2026</p>
<p>2. Income tax relief of up to RM2,500 for sustainability-related expenses (up to YA 2027) as follows:</p> <p>(a) Purchase, rental and installation costs including hire-purchase equipment or subscription fees for Electric Vehicle (EV) charging facilities; and</p> <p>(b) Purchase of household food waste composting machine (once within a period of 3 YAs).</p>	Not applicable	<ul style="list-style-type: none"><li>To include purchase <a href="#">and installation expenses</a> for:<ul style="list-style-type: none"><li>i. Food waste grinder <a href="#">machine for home use</a>; and</li><li>ii. Closed-Circuit Television (CCTV) for home use</li></ul></li><li>To be claimed once within a period of 2 YAs</li></ul> <p><b>Effective date :</b> For YA 2026 and YA 2027</p>
<p>3. Income tax relief of up to RM3,000 for fees paid to the following for children aged up to 6 years old:</p> <p>(a) Childcare centres (TASKA) registered with the Department of Social Welfare (<a href="#">Child Care Centre Act 1984</a>); or</p> <p>(a) Kindergartens (TADIKA) registered with the Ministry of Education (<a href="#">Education Act 1996</a>).</p>	Not applicable	<ul style="list-style-type: none"><li><a href="#">To include care centres</a> registered with the Department of Social Welfare (<a href="#">Care Centres Act 1993</a>) for children aged up to 12 years old</li></ul> <p><b>Effective date :</b> From YA 2026</p>

# Summary of Extension of Time and Expansion of Scope

## INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
<p>4. Income tax relief for vaccination for self, spouse or children (maximum RM1,000) covering the following vaccines:</p> <ul style="list-style-type: none"> <li>i. Pneumococcal;</li> <li>ii. Human papillomavirus (HPV);</li> <li>iii. Influenza;</li> <li>iv. Rotavirus;</li> <li>v. Varicella;</li> <li>vi. Meningococcal;</li> <li>vii. Combination of tetanus-diphtheria-acellular-pertussis (Tdap); and</li> <li>viii. Coronavirus Disease 2019 (COVID-19).</li> </ul>	Not applicable	<ul style="list-style-type: none"> <li>To include all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health</li> </ul> <p><b>Effective date :</b> From YA 2026</p>
<p>5. Income tax relief of up to RM1,000 for the following expenses on domestic tourism:</p> <ul style="list-style-type: none"> <li>(a) Accommodation at premises registered with the Ministry of Tourism, Arts and Culture (MOTAC);</li> <li>(b) Entrance fees to tourist attractions; and</li> <li>(c) Purchase of domestic tourism packages through licensed travel agents registered with the MOTAC.</li> </ul> <p><b>Effective date :</b> From YA 2020 to YA 2022</p>	Not applicable	<ul style="list-style-type: none"> <li>With regards to (b), the entrance fee is expanded to:               <ul style="list-style-type: none"> <li>i. Tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks; and</li> <li>ii. Cultural and art programmes</li> </ul> </li> </ul> <p><b>Effective date :</b> For YA 2026 only</p> <p><i>Note: (a) and (c) are not eligible for relief</i></p>

# Summary of Extension of Time and Expansion of Scope

## INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
6. Income tax relief of up to RM10,000 for medical treatment expenses for self, spouse or children including expenses for screening for detection, early intervention programme or rehabilitation treatment for children aged 18 years and below with learning disabilities [e.g., autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities], up to RM6,000	Not applicable	<ul style="list-style-type: none"><li>• The income tax relief for medical expenses for children aged 18 years and below with learning disabilities is increased from RM6,000 to RM10,000</li><li>• The relief of up to RM10,000 for medical treatment expenses for self, spouse or children is maintained</li></ul> <b>Effective date :</b> From YA 2026



# Summary of Extension of Time and Expansion of Scope

## CORPORATE TAX

Description	Extension of Time	Expansion of Scope
<p>1. Tax deduction on cost of listing in Bursa Malaysia's Main Market, Access, Certainty, Efficiency (ACE) Market, and Leading Entrepreneur Accelerator Platform (LEAP) Market by technology-based companies:</p> <ul style="list-style-type: none"> <li>fees to Bursa Malaysia and Securities Commission Malaysia (SC);</li> <li>professional fees; and</li> <li>underwriting, placement and brokerage fees.</li> </ul> <p>The tax deduction up to RM1.5 million.</p> <p><b>Effective date :</b> From YA 2023 to YA 2025.</p>	YA 2026 to YA 2030	<ul style="list-style-type: none"> <li>Tax deduction be expanded to MSMEs in the energy and utilities sectors</li> </ul> <p><b>Effective date :</b> From YA 2026 to YA 2030</p>
<p>2. Tax exemption on foreign-sourced income received in Malaysia:</p> <ul style="list-style-type: none"> <li>dividends from investments and gains from the disposal of capital assets abroad received in Malaysia by resident companies and LLPs from 1 January 2022 to 31 December 2026;</li> <li>by unit trusts from 1 January 2024 to 31 December 2026.</li> </ul>	4 years (up to year 2030)	<ul style="list-style-type: none"> <li>Tax exemption to include cooperative societies and trust bodies</li> </ul> <p><b>Effective date :</b> From 1 January 2027 to 31 December 2030</p>
<p>3. Currently, electronic filing of any prescribed form by tax agents and employees shall be authorized in writing through Form CP55</p>	Not applicable	<ul style="list-style-type: none"> <li>Authorization for electronic filing of any prescribed form by tax agents and employees be supported by an electronic medium or by way of electronic transmission</li> </ul> <p><b>Effective date :</b> From 1 January 2027</p>

# Summary of Extension of Time and Expansion of Scope

## REAL PROPERTY GAINS TAX (RPGT)

Description	Extension of Time	Expansion of Scope
1. Instalment payment for balance of RPGT payable under official assessment issued by the Inland Revenue Board of Malaysia	Not applicable	<ul style="list-style-type: none"> <li>To include deemed assessment which the Inland Revenue Board of Malaysia with discretionary authority to permit tax payable to be settled by way of instalments in respect of self-assessed RPGT under the self-assessment system</li> </ul> <p><b>Effective date :</b> From 1 January 2026</p>
2. Currently, the acquirer of a chargeable asset is required to retain and remit an amount to the Inland Revenue Board of Malaysia within 60 days from the date of disposal. The amount to be retained is: <ul style="list-style-type: none"> <li>i. the entire cash consideration; or</li> <li>ii. 3%, 5% or 7% of the total value of the consideration, depending on the category of disposer.</li> </ul> <p>(whichever is lower)</p>	Not applicable	<ul style="list-style-type: none"> <li>It is proposed to provide an additional option for acquirer to determine the amount to be retained and remitted to the Inland Revenue Board of Malaysia for RPGT purposes:               <ul style="list-style-type: none"> <li>i. the entire cash consideration;</li> <li>ii. 3%, 5% or 7% of the total value of the consideration; or</li> <li>iii. amount of tax deemed assessed on the disposer.</li> </ul> <p>(whichever is lower)</p> </li> <li>It is also proposed that the disposer may notify the acquirer of the amount of tax deemed assessed through the electronic submission of the RPGT return (CKHT1A/1B). The notification shall be deemed to have been served to the acquirer on the day the RPGT return is filed electronically</li> </ul> <p><b>Effective date :</b> From 1 January 2026</p>
3. Currently, RPGT return is to be submitted via an electronic medium or by way of electronic transmission under self-assessment system	Not applicable	<ul style="list-style-type: none"> <li>Submission via an electronic medium or by way of electronic transmission to include amended RPGT return</li> </ul> <p><b>Effective date :</b> From 1 January 2026</p>

# Summary of Extension of Time and Expansion of Scope

## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
1. Income tax exemption on all income of Social Enterprises (SE) accredited by the Ministry of Entrepreneur Development and Cooperatives.	3 years  <b>Effective date :</b> Application received by the Ministry of Finance from 1 January 2026 to 31 December 2028	Not applicable
2. Tax incentive for commercialisation of research and development (R&D) findings for companies investing in subsidiary companies that commercialise non-resource-based R&D findings by public research institute, public or private institute of higher learning in Malaysia.	5 years  <b>Effective date :</b> Application received by the Malaysia Investment Development Authority (MIDA) from 1 January 2026 to 31 December 2030	Not applicable
3. Double deduction for employers on remuneration paid to senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents.	5 years  <b>Effective date :</b> From YA 2026 to YA 2030	<ul style="list-style-type: none"> <li>To include remuneration paid to:               <ul style="list-style-type: none"> <li>i. Prisoners released on license under Prisons Act 1995; and</li> <li>ii. Drug / substance dependents and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependents and Misusers (Treatment and Rehabilitation) Act 1983.</li> </ul> </li> </ul>
4. As announced in the Budget 2025, the Government will introduce the New Investment Incentive Framework (NIIF) which will be implemented by the third quarter of 2025. The framework focuses on high-value activities and prioritises investments that create high-value jobs to help narrow the economic gap between regions.	Not applicable	<ul style="list-style-type: none"> <li>Starting from the first quarter of 2026, the NIIF will be fully implemented for the manufacturing sector, and subsequently extended to the services sector in the second quarter</li> </ul>

# Summary of Extension of Time and Expansion of Scope

## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
<p>5. Tax incentive for training a disabled person who is not an employee.</p> <p>Double deduction is given on expenses incurred by companies to sponsor training for persons with disabilities (OKU) registered with Department of Social Welfare (DSW) who are not employees of the company with the following conditions:</p> <ol style="list-style-type: none"> <li>obtained a letter of approval from the relevant authority approving an approved training program; and</li> <li>obtained a letter from a training institution approved by the Minister of Finance certifying that the disabled person has participated in the training programmes.</li> </ol>	Not applicable	<ul style="list-style-type: none"> <li>To include expenditure incurred in sponsoring care workers (not employees of the company) to undergo training programmes in institutions recognized by Ministry of Women, Family and Community Development (MWFCD)</li> </ul> <p><b>Effective date :</b> From YA 2026 to YA 2027</p>
<p>6. Double deduction for the expenses incurred on approved training of employees for companies in manufacturing and non-manufacturing including hotel or tourism operating business.</p> <p><i>Note: Companies contributing to the Human Resources Development Corporation (HRD Corp) will not be eligible.</i></p>	Not applicable	<ul style="list-style-type: none"> <li>A 50% further deduction to be given once in every 2 years for expenses incurred by Micro, Small and Medium-sized Enterprises (MSMEs) on Artificial Intelligence (AI) training recognised by the MyMahir National AI Council for Industry (NAICI), including HRD Corp contributors</li> </ul> <p><b>Effective date :</b> Application received by TalentCorp from 1 January 2026 to 31 December 2027</p>

# Summary of Extension of Time and Expansion of Scope

## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
<p>7. Tax incentives for livestock farming activities are as follows:</p> <p>(a) <u>Tax incentive for chicken rearing in closed-house system</u> Accelerated Capital Allowance (ACA) of 100% and income tax exemption of 100% on the qualifying capital expenditure for closed-house chicken rearing systems.</p> <p>For applications received by the Ministry of Agriculture and Food Security (MAFS) from 1 January 2023 to 31 December 2025; and</p> <p>(b) <u>Tax incentive for automation in the agriculture sector</u> ACA of 100% on the first RM10 million of the qualifying capital expenditure and income tax exemption of 100% on the qualifying capital expenditure for cropping, livestock farming, apiculture, aquaculture and captured fisheries activities.</p> <p>For applications received by MAFS from 1 January 2023 to 31 December 2027.</p>	Not applicable	<ul style="list-style-type: none"> <li>To ensure continuity of tax incentive for rearing chicken using the closed-house system, the scope for (b) is expanded to include rearing chicken using closed-house system</li> </ul> <p><b>Effective date :</b> Application received by MAFS from 1 January 2026 to 31 December 2027</p>

# Summary of Extension of Time and Expansion of Scope

## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
<p>8. Tax incentive for organising arts, cultural, sports and recreational activities.</p> <p>A 50% tax exemption on statutory income is given to organisers of approved activities as follows:</p> <ol style="list-style-type: none"> <li>Arts or cultural activities held in Malaysia at the Istana Budaya, National Visual Arts Gallery or Petronas Philharmonic Hall approved by the Ministry of Tourism, Arts and Culture (MOTAC); or</li> <li>Sports or recreational competition of international standard held in Malaysia approved by the Ministry of Youth and Sports.</li> </ol>	2 years	<ul style="list-style-type: none"> <li>To include tourism activities approved by MOTAC (excluding concert performances)</li> <li>The venue for arts, cultural and tourism activities be broadened to include any location in Malaysia approved by MOTAC</li> </ul> <p><b>Effective date :</b> From YA 2026 to YA 2027</p>
<p>9. Tax incentive for qualifying green assets under Green Investment Tax Allowance (GITA).</p> <p>Companies undertaking qualifying green activities are eligible for Investment Tax Allowance of 100% on qualifying capital expenditure for the purchase of a green technology asset. The allowance can be set-off against up to 70% of statutory income.</p>	N/A	<ul style="list-style-type: none"> <li>To include locally manufactured green technology asset certified with the MyHIJAU Mark for own consumption be eligible for GITA</li> </ul> <p>Further details are expected to be released in due course</p>

# Summary of Extension of Time and Expansion of Scope

## TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
<p>10. Income tax exemption is granted to Green SRI Sukuk issuers on the “grants” received from the Securities Commission (SC). The grant is intended to finance 90% of the external review expenses incurred in issuing the sukuk, up to a maximum of RM300,000.</p> <p>The issuance of the following financial instruments approved by the SC will be eligible for the “grant”:</p> <ol style="list-style-type: none"> <li>SRI Sukuk;</li> <li>SRI-Linked Sukuk;</li> <li>Bonds that conforms to the ASEAN Green, Social and Sustainability Bond Standards; and</li> <li>Bonds that meets the ASEAN Sustainability-Linked Bond Standards.</li> </ol>	3 years	<ul style="list-style-type: none"> <li>Grant allocation to finance 100% of the external review expenses, up to a maximum of RM300,000</li> <li>To include sukuk and bonds that conform to the ASEAN Taxonomy for Sustainable Finance</li> </ul> <p><b>Effective date :</b> Application received by SC from 1 January 2026 to 31 December 2028</p>

# Summary of Extension of Time and Expansion of Scope

## INDIRECT TAX

Description	Extension of Time	Expansion of Scope
1. Import duty and sales tax exemption on Nicotine Replacement Therapy (NRT) products: <ul style="list-style-type: none"><li>Nicotine gum</li><li>Nicotine patch</li></ul>	Until 31 December 2027	<ul style="list-style-type: none"><li>To include nicotine mist and nicotine lozenges</li></ul> <p><b>Effective date :</b> Applications received by the Ministry of Finance from 11 October 2025 to 31 December 2027</p>
2. Excise duty and sales tax exemption for taxi and hire car owners	To be further extended	Only applicable for the purchase of a new national car (PERODUA and PROTON)



# Summary of Extension of Time and Expansion of Scope

## STAMP DUTY

Description	Extension of Time	Expansion of Scope
1. Stamp duty exemption on instruments of transfer and loan agreements for the purchase of first residential property priced up to RM500,000 by Malaysian citizens	2 years (sale and purchase agreements executed up to 31 December 2027)	Not applicable
2. Stamp duty on instruments of transfer of residential property executed by non-citizen individuals (excluding Malaysian permanent resident) and foreign companies	Not applicable	<ul style="list-style-type: none"> <li>To increase from a fixed rate of 4% to 8%</li> </ul> <b>Effective date :</b> Instrument of transfer of residential property executed from 1 January 2026
3. Stamp duty exemption on purchase of Perlindungan Tenang products with insurance premiums or takaful contributions not exceeding RM150	3 years	<ul style="list-style-type: none"> <li>All Perlindungan Tenang products.</li> </ul> <b>Effective date :</b> Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028
4. Stamp duty exemption on the purchase of insurance policies or takaful certificates with low annual premium/contribution value: <ul style="list-style-type: none"> <li>not exceeding RM150 by an individual</li> <li>not exceeding RM250 by Micro, Small and Medium Enterprises</li> </ul>	3 years  <b>Effective date :</b> Insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028	Not applicable
5. Stamp duty exemption on contract notes for trading of Exchange Traded Funds (ETFs)	3 years  <b>Effective date :</b> ETFs transactions from 1 January 2026 to 31 December 2028	Not applicable

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# Summary of Extension of Time and Expansion of Scope

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## OTHERS

Description	Extension of Time	Expansion of Scope
<p>1. Income tax refunds due to taxpayer can be utilised by the Inland Revenue Board of Malaysia for payment of other taxes which are due and payable under the following Acts:</p> <ul style="list-style-type: none"><li>i. Income Tax Act 1967;</li><li>ii. Petroleum (Income Tax) Act 1967; and</li><li>iii. Real Property Gains Tax Act 1976.</li></ul>	Not applicable	<ul style="list-style-type: none"><li>• Income tax refunds due to taxpayer can be further utilised for payment of the following:<ul style="list-style-type: none"><li>i. Taxes due and payable under the Labuan Business Activity Tax Act 1990; and</li><li>ii. Stamp duties due and payable under the Stamp Act 1949.</li></ul></li></ul> <p><b>Effective date :</b> From 1 January 2026</p>

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