Grant Thornton

Budget 2027

Key Highlights of Tax Updates, Tax Initiatives and New Incentives Announced under Budget 2027

10 October 2026

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Malaysia has unveiled Budget 2027 on 9 October 2026, setting the direction for the nation's next phase of economic growth and reform as it enters the second year of the 13th Malaysia Plan (13MP) 2026–2030. The Budget continues to be anchored in the MADANI Economy framework, with a dual focus on strengthening Malaysia's competitiveness and growth potential while expanding opportunities and improving the well-being of the rakyat.

Against a backdrop of global uncertainties, technological disruption and evolving economic priorities, Budget 2027 is expected to further advance Malaysia's reform agenda and strengthen the country's position for long-term growth.

This Budget Adviser outlines the various tax updates, tax initiatives and new incentives announced under Budget 2027.

This publication has been prepared based on the Budget 2027 speech and the relevant appendices. Further details of the tax measures will be set out in the Finance Bill, which will be released in due course. An update for this publication will be issued by Grant Thornton Malaysia once the Finance Bill is available.

Individual Tax

1. REVIEW OF RESIDENT INDIVIDUAL INCOME TAX BANDS AND RATES

To ease the cost-of-living pressures on middle-income taxpayers, promote a more progressive tax structure and enhance tax contributions from high-income earners, it is proposed that the income tax bands and rates for resident individual be revised as follows:

Chargeable Income (RM)		Current		Proposal		(Tax Savings) / Additional tax
		Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)
0 - 5,000	First 2,500 Next 2,500	0 0	0 0	0 0	0 0	**0** **0**
5,001 - 20,000	On 5,000 Next 15,000	0 1	0 150	0 1	0 150	**0** **0**
20,001 - 35,000	On 20,000 Next 15,000	0 3	150 450	0 3	150 450	**0** **0**
35,001 - 50,000	On 35,000 Next 15,000	6	600 900	6	600 900	**0** **0**
50,001 - 70,000	On 50,000 Next 20,000	11	1,500 2,200	11	1,500 2,200	**0** **0**
70,001 - 100,000	On 70,000 Next 30,000	19	3,700 5,700	**18**	**3,700** **5,400**	**0** **(300)**
100,001 - 150,000	**On 100,000** **Next 50,000**	25	9,400 12,500	**24**	**9,100** **12,000**	**(300)** **(500)**
150,001 - 400,000	**On 150,000** **Next 250,000**	25	21,900 62,500	25	**21,100** 62,500	**(800)** **0**
400,001 - 600,000	On 400,000 Next 200,000	26	84,400 52,000	26	**83,600** 52,000	**(800)** **0**
600,001 - 1,000,000	**On 600,000** **Next 400,000**	28	136,400 112,000	28	**135,600** 112,000	**(800)** **0**
1,000,001 - 2,000,000	**On 1,000,000** **Next 1,000,000**	28	248,400 280,000	**30**	**247,600** **300,000**	**(800)** **20,000**
2,000,001 and above	Exceeding 2,000,000	30	528,400	30	**547,600**	**19,200**

Effective date : From year of assessment 2027

Corporate Tax

1. TAX DEDUCTION FOR SALARY PAYMENTS THROUGH FINANCIAL INSTITUTIONS AND CASHLESS PAYMENT INSTRUMENTS

Pursuant to Section 33 of the Income Tax Act 1967, expenses incurred wholly and exclusively in the production of gross income, including employee salary expenses, are generally allowable as tax deduction, regardless of whether such expenses are paid in cash, non-cash or through any other method of payment.

To strengthen the transparency of financial transactions by employers and support compliance towards cashless salary payments through financial institutions and cashless payment instruments as prescribed under the Employment Act 1955, it is proposed that companies other than Micro, Small and Medium Enterprises (MSMEs) be eligible to claim tax deduction for salary expenses only where such payments are made through financial institutions or cashless payment instruments.

Expenses other than salary payments will remain allowable as tax deduction, regardless of the method of payment.

Further clarification required on the definition of MSMEs.

Effective date : From year of assessment 2028

2. TAX DEDUCTION FOR REPAYMENT OF NATIONAL HIGHER EDUCATION FUND CORPORATION (PTPTN) LOAN BY EMPLOYERS ON BEHALF OF EMPLOYEES

Previously, employers that make National Higher Education Fund Corporation (PTPTN) loan repayments on behalf of their employees from 1 January 2019 to 31 December 2021 were eligible for tax deduction.

To encourage employers to support employees in repaying their PTPTN loans, it is proposed that tax deduction be given on PTPTN loan repayments made by employers on behalf of their employees for two years, 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.

Effective date : For PTPTN loan repayment made by employer from 1 January 2027 until 31 December 2028

Corporate Tax

3. REVIEW OF INCOME TAX RATES FOR MICRO, SMALL AND MEDIUM ENTERPRISES

Currently, resident companies with paid-up capital of ordinary shares of RM2.5 million and below or resident Limited Liability Partnership (LLP) with partnership capital contributions of RM2.5 million and below, with an annual gross business income not exceeding RM50 million are categorised as Micro, Small, and Medium Enterprises (MSMEs).

To further strengthen the competitiveness of MSMEs and support their contribution to the country's economic growth, it is proposed that the income tax rates applicable to MSMEs be revised as follows:

Chargeable Income	Current Tax Rate	Proposed Tax Rate
First RM150,000	15%	14%
RM150,001 to RM600,000	17%	16%
RM600,001 and above	24%	24%

Effective date : From year of assessment 2027

4. TAX DEDUCTION FOR CONTRIBUTING FOOD AND EQUIPMENT FOR DAPUR SISWA MADANI PROGRAMME

To encourage private-sector's support for the Dapur Siswa MADANI Programme, it is proposed that tax deduction be granted to taxpayers who contribute cooking equipment and food supplies as well as to the Menu Kasih Siswa initiative for meals at RM5. This contribution aim to provide affordable meals and food assistance to polytechnic and the Malaysian Institute of Teacher Education (IPGM) campuses nationwide.

Further details are expected to be released in due course.

Effective date : From 1 January 2027 to 31 December 2030

5. TAX DEDUCTION FOR IMPLEMENTATION OF THE BAKAT MADANI TRAINING PROGRAMME

To encourage greater private-sector participation, it is proposed that tax deduction be given to companies implementing the BAKAT MADANI training programme.

Further details are expected to be released in due course.

Effective date : From 29 June 2026 to 31 December 2030

Corporate Tax

6. TAX DEDUCTION FOR CONTRIBUTION TO SCHOOL PUBLIC CONTRIBUTION FUND

Currently, the School Public Contribution Fund (Tabung Sumbangan Wang Awam Sekolah – TSUWAS) is a fund approved under Subsection 44(6) of the ITA. The purpose of the fund is to finance the implementation of projects for student development and welfare, subject to the approval by the Ministry of Education (MOE). However, the fund does not cover administrative, operating, repair, and maintenance expenses.

Schools that are eligible to establish TSUWAS are government-aided schools, non-government owned schools (vernacular schools or national type schools without government intervention), government-aided religious schools and non-government owned religious schools. The schools are required to open a dedicated account to receive contributions to TSUWAS. The fund needs to be jointly administered by the TSUWAS committee members comprising representatives from the school and external parties, including representatives from the Parent-Teacher Association (PTA).

Individual donors or companies making cash contributions to TSUWAS are eligible for tax deduction up to 10% of aggregate income. As for in-kind contributions, they are not eligible for tax deduction.

To improve operational efficiency and ensure comfortable school infrastructure, it is proposed that the funds contributed to TSUWAS to also cover administrative and operating expenses, repairs and maintenance, procurement of equipment and implementation of student programmes.

Application for establishment of TSUWAS must be submitted to the Inland Revenue Board of Malaysia (IRBM) with MOE's endorsement. In addition, the management of TSUWAS needs to be jointly administered by the school, PTA or Alumni Association with monitoring by MOE based on guidelines to be determined later.

Effective date : From year of assessment 2027

7. TAX DEDUCTION FOR CONTRIBUTIONS TO PUBLIC UNIVERSITIES

To encourage contributions from the public, alumni and the corporate sector to support public universities, it is proposed that qualifying donations to be eligible for tax deduction up to 10% of aggregate income.

Further details are expected to be released in due course.

Effective date : To be determined

Corporate Tax

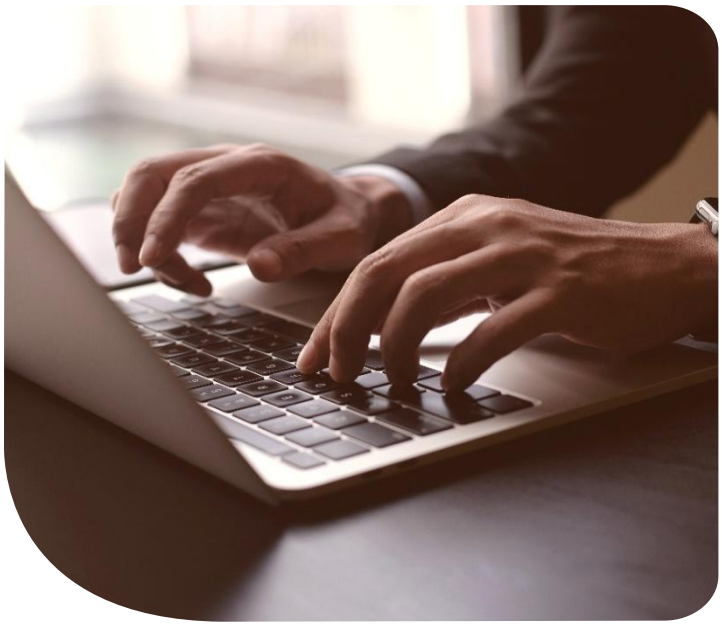
8. INCOME TAX EXEMPTION FOR *SHARIAH*-COMPLIANT FUND MANAGEMENT SERVICES COMPANIES

Currently, a resident company that provides *Shariah*-compliant fund management services approved by the Securities Commission Malaysia is eligible for a 60% income tax exemption on the statutory income derived from managing *Shariah*-compliant funds.

To further support the development of *Shariah*-compliant fund management services, it is proposed that income tax exemption for resident *Shariah*-compliant fund management service providers be reviewed as follows:

Investor Category	Previous Tax Exemption (YA)	Current Tax Exemption (YA)	Proposed Tax Exemption (YA)
Foreign Investors in Malaysia	100% (2007 until 2023)	60% (2024 until 2027)	40% (2028 until 2030)
Local Investors	100% (2008 until 2023)	60% (2024 until 2027)	40% (2028 until 2030)
Business Trust Investors and Real Estate Investment Trusts (REIT) Investors in Malaysia	100% (2014 until 2023)	60% (2024 until 2027)	40% (2028 until 2030)

Effective date : From year of assessment 2028 to 2030



Corporate Tax

9. TAX DEDUCTION ON THE ISSUANCE COSTS OF *SUKUK* PRISMA

The Securities Commission Malaysia (SC) introduced the Sustainable and Responsible Investment (SRI) *Sukuk* Framework to facilitate fundraising by companies for initiatives that promote sustainability and support the transition to low-carbon activities. Tax deduction is given on SRI *Sukuk* issuance costs from year of assessment 2016 to 2027.

From the year 2027, SC will introduce *Sukuk* Prisma, which aims to expand the use of the capital market to attract sustainability-focused investments to finance sustainable projects in the following areas:

i. Climate change adaptation;

ii. Water and food security;

iii. Biodiversity resilience; and

iv. Blue economy.

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 tax deduction be given on the issuance cost of *Sukuk* Prisma approved or authorised by SC or lodged with SC.

The tax deduction granted on the issuance cost of SRI *Sukuk* remains effective until the year of assessment 2027.

Effective date : From year of assessment 2027 to 2030

Tax Incentive

1. TAX INCENTIVE FOR RELOCATION TO AUTOMOTIVE HI-TECH VALLEY

The Automotive Hi-Tech Valley in Tanjong Malim, Perak has been promoted as a regional automotive hub. To encourage more local automotive vendor companies to relocate their operations to the hub, it is proposed that a tax deduction of up to RM5 million be given on qualifying relocation costs incurred.

Further details are expected to be released in due course.

Effective date : Qualifying relocation costs incurred from 1 January 2027 to 31 December 2030

2. TAX INCENTIVE FOR GLOBAL SERVICES HUB

Currently, the Global Services Hub (GSH) tax incentive is provided to companies that establish Malaysia as a hub for high-value services such as managing, controlling and supporting key business functions. The tax incentives provided are as follows:

i. Corporate income tax rate of 5% or 10% determined through an outcome-based approach, subject to conditions such as minimum annual operating expenditure and high-value employment; and

ii. Individual income tax at the rate of 15% for 3 consecutive years of assessment for 3 non-citizen individuals holding key posts or C-Suite positions.

The tax incentive is effective for applications received by the Malaysian Investment Development Authority (MIDA) from 14 October 2023 until 31 December 2027.

To strengthen Malaysia's competitiveness as a destination for GSH and attract treasury management activities, it is proposed that the GSH tax incentive be reviewed as follows:

i. New company: A company that has not carried out GSH or Principal Hub (PH) activities.

ii. Existing company:

   a. A company that has been previously approved for the GSH or PH tax incentive; and

   b. A company that will undertake additional new services for an extension application.

iii. Base income: The average income of an existing company for the last 3 years.

Tax Incentive

2. TAX INCENTIVE FOR GLOBAL SERVICES HUB (cont'd)

Chargeable Income	Tax Rate	Existing Company	
	GSH Income	**≤ Base Income**	**> Base Income**
Tax Rate	**5%**	**15%**	**5%**
Incentive Period	Every five (5) years up to a maximum of 30 years. (Subject to the company's performance/commitment during 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	Must undertake a minimum of two (2) qualifying activities under 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 activity income as prescribed by the Minister of Finance		
Treasury Fund Management	GSH company undertaking TFM activities specifically for cash pooling via onshore intermediaries will be eligible for the following additional incentives: a. Withholding tax exemption on interest paid to non-residents; and b. Stamp duty exemption of 100% on loan agreements between companies in foreign currencies. Additional incentives (a) and (b) is also expanded to Johor-Singapore Special Economic Zone (JS-SEZ) incentive package		

Effective date : For applications received by MIDA from 1 January 2027

Tax Incentive

3. REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE

i. Green Investment Tax Allowance (GITA) Project (Business Purposes)

Currently, companies undertaking qualifying green activities are given tax incentive as follows:

Qualifying Activities	GITA	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 i. Green hydrogen	100%	100% or 70%	Up to 10 years (5+5)
Tier 2 i. Integrated waste management ii. Electric Vehicle charging station	100%	100%	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini hydro iv. Geo thermal v. Solar vi. Wind energy	100%	70%	5 years

The tax incentive applies to applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2024 to 31 December 2026.

It is proposed that the Green Technology Tax Incentive be reviewed as follows:

Qualifying Activities	GITA	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 i. Green hydrogen ii. Ocean thermal energy conversion	100%	100% or 70%	Up to 10 years (5+5)
Tier 2 i. Electric Vehicle charging station ii. Renewable energy system (biomass, biogas, mini hydro, geothermal, wind energy)	60%	70%	5 years

Effective date : For applications received by MIDA from 1 January 2027 until 31 December 2030

3. REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE (cont'd)

ii. GITA Assets (Own Consumption)

Currently, companies undertaking qualifying green activities are given tax incentive as follows:

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

It is proposed that the Green Technology Tax Incentive be reviewed as follows:

Qualifying Activities	GITA	% of Statutory Income to be Set-Off
Tier 1 i. List of qualifying assets approved by Minister of Finance: 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%

Tax Incentive

3. REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE (cont'd)

Qualifying Activities	GITA	% of Statutory Income to be Set-Off
Tier 2 i. List of qualifying assets approved by Minister of Finance: 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 and Climate Change Corporation (MGTC) within 24 months from the date of purchase of the qualifying GITA asset.

Effective date : For the purchase of qualifying green technology assets verified by MGTC from 1 January 2027 until 31 December 2030

iii. Green Income Tax Exemption (GITE) Solar System Leasing

Currently, companies undertaking qualifying green activities are given tax incentive as follows:

Tier	Tax Exemption on Statutory Income	Incentive Period
>3MW -≤10MW	70%	5 years
>10MW -≤30MW		10 years

No proposed changes to the above tax incentive.

Tax Incentive

4. INCENTIVES FOR FILM AND ANIMATION PRODUCTIONS IN MALAYSIA

A special income tax rate of 0% to 10% was presented in the Budget 2024 for film production companies, foreign film actors and movie crews carrying out filming activities in Malaysia.

To further strengthen the local creative industry and promote Malaysia as a filming location, it is proposed that incentives be provided to local and international film and animation production companies that are filmed in Malaysia. Additional incentives shall be provided for productions that showcase the Malaysian culture and national identity.

Further clarifications required on the scope, qualifying conditions and implementation date of the proposed incentives

5. TAX INCENTIVE FOR MULTI-FAMILY OFFICE (MFO) IN THE FOREST CITY SPECIAL FINANCIAL ZONE (JS-SEZ)

Currently, the Single Family Office (SFO) Incentive Scheme allows a qualifying single family to manage its funds in the JS-SEZ and is eligible for a concessionary income tax rate of 0% on chargeable income derived from qualifying activities for up to 20 years (10 years + 10 years), subject to prescribed conditions. The tax incentive is effective for applications received by the Securities Commission from 1 September 2024 until 31 December 2034.

To further attract ultra-high-net-worth individuals and family investment entities into Malaysia, it is proposed that a Multi-Family Office (MFO) model be introduced, to allow licensed fund managers to provide fund management services to multiple families, including approved SFO funds.

Further details are expected to be released in due course.

Indirect Tax

1. REVIEW OF IMPORT DUTY EXEMPTION FOR LANGKAWI ORIGIN GOODS

Currently, import duty exemption is given to importers of products originating from Langkawi directly into the Principal Customs Area (PCA), subject to the prescribed conditions under Item 76 of Customs Duties (Exemption) Order 2017. The list of goods eligible for import duty exemptions are as follows:

Goods Category		
1. Sea cucumber extract	9. Coconuts	17. Vegetables
2. Whetstones	10. Handicraft	18. Coffee powder
3. Fruits	11. Honey	19. Cement
4. Anchovies	12. Marble	20. Sugar cane
5. Copra	13. Sea cucumber herbal paste	21. Eggs
6. Wood charcoal	14. Sea cucumber herbal pills	22. Bird's eggs
7. Mangrove wood	15. Anchovy based products	23. Poultry
8. Sawn rubberwood	16. Dried stingray products	

To further support the development of local entrepreneurs in Langkawi, it is proposed that import duty exemption on imported goods originating from Langkawi into the PCA 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

Indirect Tax

1. REVIEW OF IMPORT DUTY EXEMPTION FOR LANGKAWI ORIGIN GOODS (CONT'D)

Goods Category	List of Goods
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. Downtown 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 date : From 1 January 2027

Indirect Tax

2. REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION TREATMENT FOR GOODS TRANSPORTED OUT OF DUTY-FREE ISLANDS

Currently, tourists or visitors bringing goods out of Duty-Free Islands into the Principal Customs Area (PCA) are eligible for import duty and sales tax exemptions under the Customs Duties (Exemption) Order 2017 and the Sales Tax (Persons Exempted from Payment of Tax) Order 2018, subject to limitation on goods value/quantity and the duration of visit to the Duty-Free Islands as follows:

No.	Goods Category	Goods Value/Quantity Limit	Duration of Visit
Langkawi, Tioman, Pangkor and Labuan			
1.	New apparel	3 pairs	48 hours (Langkawi and Tioman) 24 hours (Pangkor and Labuan)
2.	New footwear	1 pair	
3.	Food preparation items	RM150	
4.	New portable electrical or battery operated appliances for personal care and hygiene	1 unit	
5.	All other goods, except alcoholic beverages, tyres and tubes, motor vehicles, and smoking products	RM1,000	
Pulau 1, Forest City			
1.	Chocolates, perfumes and cosmetics	RM1,000	48 hours

2. REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION TREATMENT FOR GOODS TRANSPORTED OUT OF DUTY-FREE ISLANDS (CONT'D)

To boost the tourism sector in Duty-Free Islands, it is proposed that the value limit for goods eligible for import duty and sales tax exemption as well as the duration of visit be revised as follows:

Goods Category	Goods Value Limit	Duration of Visit
Langkawi and Labuan		
All goods (new), except: 1. Tyres and tubes 2. Alcoholic beverages 3. Cigarettes 4. Tobacco products 5. Smoking pipes 6. Electronic cigarettes and vapes, including liquids or gels	RM 10,000	48 hours

The duty and tax treatment for duty-free islands of Tioman, Pangkor and Pulau 1, Forest City is maintained.

Effective date : From 1 January 2027

Indirect Tax

3. SALES TAX REFUND FACILITY FOR LOCAL TRADERS ON SUPPLIES TO MANUFACTURERS

Currently, manufacturers are eligible for sales tax exemptions on machinery, spare parts and equipment under Item 55 of the Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 (Order). Under Schedule B of the Order, manufacturers of pharmaceutical products, animal feed, fertilisers and pesticides are also eligible for sales tax exemption.

Both exemptions above are subject to the following conditions:

i. Imported directly by the manufacturer from abroad; or

ii. Purchased directly from a local registered manufacturer.

However, no sales tax exemption is given to manufacturers for the purchase of machinery, spare parts, equipment and inputs from local traders or distributors.

To reduce the cost of doing business and strengthen local supply chains, it is proposed that a sales tax refund facility be made available to local traders or distributors that have paid sales tax on goods supplied to manufacturers as follows:

i. Machinery, spare parts and equipment under Item 55 of the Schedule A of the Order; and

ii. Inputs for the manufacture of pharmaceutical products, animal feed, fertilisers and pesticides under Schedule B of the Order.

Effective date : From 1 January 2027

Indirect Tax

4. REVIEW OF SERVICE TAX TREATMENT FOR ELDERLY CARE SERVICES

Currently, elderly care services are subject to 8% service tax under Group C of the First Schedule, Service Tax Regulations 2018 with a registration threshold of RM500,000.

In order to improve access to quality elderly care services, the following measures are proposed:

i. Elderly care services to be removed from Group C and introduced as a new item under Group I of the First Schedule, Service Tax Regulations 2018. The registration threshold for elderly care remains at RM500,000;

ii. The service tax rate for elderly care services to be reduced from 8% to 6%; and

iii. The service tax treatment for elderly care services is as follows:

Annual Care Fee/Charge	Service Tax Treatment
Up to RM96,000 per person	Service tax exemption for providers of elderly care centre services registered under: a. Care Centres Act 1993; or b. Private Aged Healthcare Facilities and Services Act 2018
Exceeding RM96,000 per person	Providers of elderly care centre services are subject to service tax at 6%

Effective date : From 1 January 2027

5. REVIEW OF ENTERTAINMENT DUTY EXEMPTION IN THE FEDERAL TERRITORIES

Currently, entertainment duty is imposed at a rate of 25% on admission fees to entertainment venues and events. Under subsection 12(1)(b) of the Entertainment Duty Act 1953, the Minister of Finance may exempt any entertainment event held in the Federal Territories from entertainment duty. Meanwhile, subsection 12(2) of the same act enables State Authorities to exempt entertainment duty for any entertainment events held in the respective states.

In Budget 2024, effective from 1 January 2024 until 31 December 2028, entertainment duty exemption is given to selected categories of entertainment held in the Federal Territories as follows:

No.	Categories of Entertainment	Entertainment Duty Rates After Exemption
1.	Stage performances by international artists/Light Shows/Circuses	10%
2.	Film Screenings (Cinemas)/Theatres	
3.	Exhibition/Zoos/Aquariums	
4.	Sports Events/e-Sports/Bowling/Snooker/Pool/Billiards/ Karaoke	
5.	Theme Parks/Family Recreation Centres/Indoor Amusement Centres/Simulators	5%
6.	Stage performances by local artists	0%

To further stimulate the local creative arts industry and promote family-oriented entertainment activities, it is proposed that:

i. Entertainment duty exemption on selected categories of entertainment, as provided under Budget 2024 be extended until 31 December 2030; and

ii. Entertainment duty exemption of 100% be given on tickets for local film screenings (cinemas) and local theatre performances held in the Federal Territories for 4 years.

Effective date :

i. Selected categories of entertainment held in the Federal Territories:

Application received by the Ministry of Finance until 31 December 2030.

ii. Local film screenings (cinemas) and local theatre performances held in the Federal Territories:

Application received by the Ministry of Finance from 1 January 2027 until 31 December 2030.

Indirect Tax

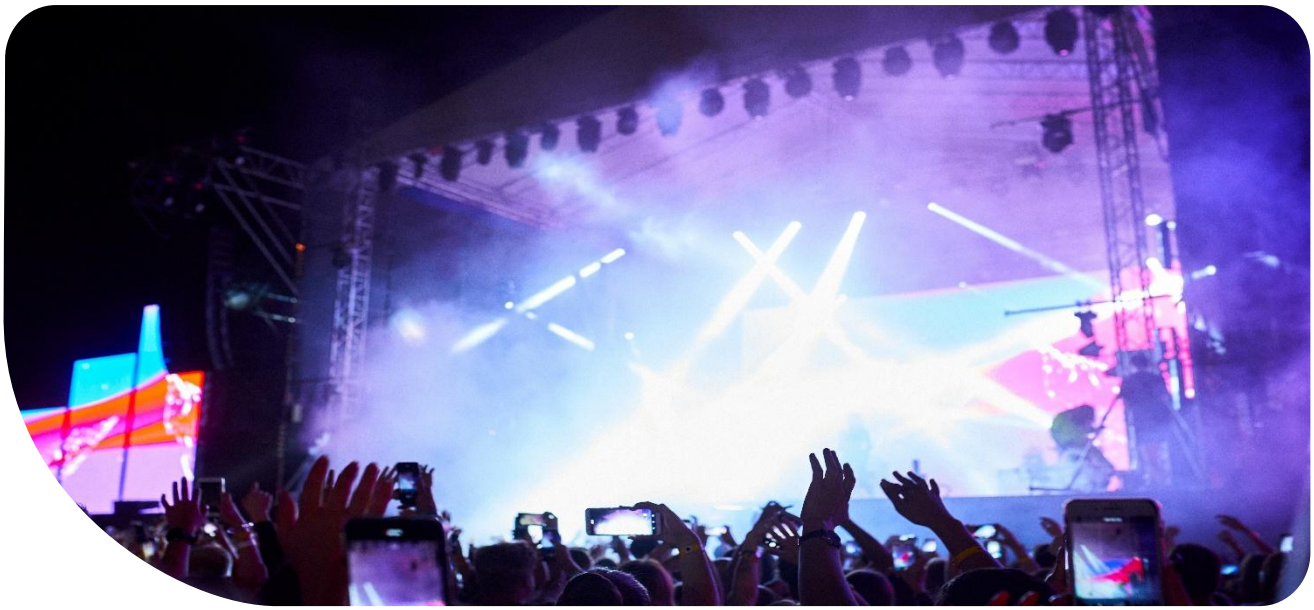
6. ENTERTAINMENT DUTY EXEMPTION FOR SELECTED FACILITIES IN FEDERAL TERRITORY

Currently, entertainment duty exemption is given on admission fees for activities and events held at selected facilities in the Federal Territory to encourage the organisation of arts and cultural events, entertainment and sports activities. The list of approved facilities are as follows:

i. Bukit Jalil National Sports Complex
   a. TM National Stadium
   b. Unifi Arena
   c. National Hockey Stadium
ii. Juara Stadium (Bukit Kiara Sports Complex)
iii. Istana Budaya
iv. National Art Gallery
v. Dewan Filharmonik PETRONAS

It is proposed that the entertainment duty exemption be extended to arts and cultural events, entertainment and sports activities held at Stadium Merdeka and Stadium Negara to optimise the use of these conserved historical heritage sites.

Effective date : From 1 January 2027



Stamp Duty

1. STAMP DUTY EXEMPTION FOR OPENING OF SAVINGS AND CURRENT ACCOUNTS

Currently, stamp duty at a fixed rate of RM10 is imposed on instruments for the opening of savings and current accounts that contain an undertaking which creates a specific legal obligation, indemnity, guarantee or liability.

In order to broaden the access to financial services for individuals and businesses, particularly Micro, Small and Medium Enterprises, it is proposed that a 100% stamp duty exemption be given on instruments executed by individuals or businesses for the opening of savings and current accounts that contain an undertaking which creates a specific legal obligation, indemnity, guarantee or liability.

Effective date : From 1 January 2027

2. REVIEW OF STAMP DUTY ON FOREIGN CURRENCY LOAN OR FINANCING AGREEMENTS

Currently, stamp duty at *ad valorem* rate of RM5 for every RM1,000 or part thereof is chargeable on foreign currency loan or financing agreements pursuant to Item 27(a)(ii) of the First Schedule, Stamp Act 1949.

It is proposed that the stamp duty imposed on loan or financing agreements in foreign currency from banks in Malaysia be limited to as follows:

i. RM2,000 for loans or financing up to RM100 million; and

ii. RM5,000 for loans or financing exceeding RM100 million.

Effective date : Loan or financing agreements executed from 1 January 2027

3. STAMP DUTY REMISSION ON LOAN OR FINANCING AGREEMENTS THROUGH PEER-TO-PEER PLATFORMS

Currently, stamp duty is 100% exempted for peer-to-peer (P2P) loan or financing agreements between Micro, Small and Medium Enterprises (MSMEs) and investors, where the P2P financing are made through P2P financing platform registered with and recognised by the Securities Commission Malaysia. The exemption applies to agreements executed from 1 January 2022 until 31 December 2026.

In order to encourage MSMEs to obtain alternative financing through P2P platforms, it is proposed that remission of stamp duty exceeding RM10 be given on P2P loan or financing agreements executed between MSMEs and investors.

Effective date : Loan or financing agreements executed from 1 January 2027 until 31 December 2030

Stamp Duty

4. REVIEW OF STAMP DUTY REMISSION ON LOAN AND FINANCING AGREEMENTS UNDER THE CAKNA SCHEMES

Currently, remission is given on stamp duty exceeding RM10 for the principal loan or financing agreements under the CAKNA schemes.

In order to continue assisting the Micro, Small and Medium Enterprises (MSMEs) and small contractors in obtaining financing for the implementation of Government contracts, it is proposed that the remission of stamp duty exceeding RM10 on principal loan or financing agreements executed by the MSMEs and small contractors under the CAKNA schemes be reviewed as follows:

Scheme	Current Remission	Proposed Remission
CAKNA I	Agreements executed from 1 March 2021 to 31 December 2028	Extend for 2 years
CAKNA II	Agreements executed from 1 January 2024 to 31 December 2025	Reintroduce from 1 January 2027

Effective date : For CAKNA I, loan or financing agreements executed from 1 January 2029 until 31 December 2030 and for CAKNA II, loan or financing agreements executed from 1 January 2027 until 31 December 2030

5. REVIEW OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS FOR PURCHASE OR CONSTRUCTION OF MALAYSIAN SHIPS

To contribute to the growth of the Malaysian shipping fleet, reduce dependency on foreign vessels and enhance freight revenue inflows into Malaysia over the long term, it is proposed that the stamp duty imposed on loan or financing agreements for the purchase or construction of Malaysian ships be limited as follows:

a) RM2,000 for loans or financing up to RM100 million; and

b) RM5,000 for loans or financing exceeding RM100 million.

Effective date : Loan or financing agreements executed from 1 January 2027

Stamp Duty

6. STAMP DUTY REMISSION ON LOAN AGREEMENTS BY MID-TIER COMPANIES

Currently, stamp duty at *ad valorem* rate of RM5 for every RM1,000 or part thereof is imposed on loan or financing agreements pursuant to Item 27 of the First Schedule, Stamp Act 1949.

Stamp duty exemption is granted on principal factoring or invoice financing agreements executed between Micro, Small and Medium Enterprises (MSMEs) with factoring companies registered with the Ministry of Finance and members of the Malaysian Factors Association. The exemption applies to agreements executed from 1 January 2022 until 31 December 2025.

Under the Supplier Financing Programme by Mid-Tier Companies (MTCs), the credit facility agreement (first tier agreement) and the agreement for the utilisation of the excess credit facility (second tier agreement) executed between MTCs and financial institutions are both subject to *ad valorem* rate of RM5 for every RM1,000 or part thereof.

In order to improve MSMEs cash flow by obtaining early payments from the MTC's excess credit facility, it is proposed that stamp duty in excess of RM10 be remitted on second tier agreements between MTCs and financial institutions for excess credit facility given to MSMEs, subject to the following conditions:

i. MSME suppliers have fulfilled contracts for the supply of goods or services to MTCs; and

ii. MSME suppliers are not parent company, subsidiary or related to the MTCs.

Stamp duty on first tier agreements remains at the *ad valorem* rate of RM5 for every RM1,000 or part thereof.

Effective date : Second tier agreements executed between MTCs and financial institutions from 1 January 2027 until 31 December 2030

Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
1. Tax relief for individual and dependent relatives (maximum RM9,000)	Not applicable	The tax relief is increased from RM9,000 to RM12,000 **Effective date :** From year of assessment (YA) 2027
2. Tax relief for medical treatment expenses for self, spouse, or children for the following (limited to RM10,000): a. Serious illness; b. Fertility treatment (self and spouse); c. Vaccinations (limited to RM1,000); d. Dental examination and treatment (limited to RM1,000); e. Full medical examination, mental health examination, disease diagnostic test and purchase of self-health monitoring equipment (limited to RM1,000); and f. Assessment for diagnosis, early intervention programmes or rehabilitation treatment for children with learning disabilities aged 18 years and below. 3. Tax relief for purchase of breastfeeding equipment for children aged 2 years and below (limited to RM1,000)	Not applicable	• Tax reliefs (2) and (3) are merged and reclassified as relief for “Health and Well-being” (limited to RM10,000) • The scope of relief for “Health and Well-being” is expanded to include postnatal care service expenses provided by confinement centre or qualified individual (limited to RM3,000) **Effective date :** From YA 2027

Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
4. Tax relief for education fees paid for the following courses or field of study (limited to RM7,000): a. Other than Masters or Doctor of Philosophy; i.e. educational courses up to tertiary level: • In the fields of law, accounting, Islamic finance approved by BNM or SC • Technical, vocational, industrial, scientific or technology at any local institution or professional body recognised by the Malaysia government or approved by MOF b. Masters or Doctor of Philosophy, i.e. educational courses at any local institution or professional body recognised by the Malaysia government or approved by MOF c. Upskilling or self-enhancement courses recognized by the DG of Skills Development under the National Skills Development Act 2006 (limited to RM2,000) 5. Tax relief for lifestyle claimable on fees paid for any upskilling or self-enhancement courses unrelated to employment (e.g. hobbies, languages and religion) (limited to RM2,500)	Not applicable	• Tax reliefs (4) and (5) are merged and reclassified as relief for "Education and Skills Training Fees" (limited to RM7,000) • The scope of relief to be revised as follows: a. Fees incurred for self to undertake courses recognized by any regulatory agency at the Certificate, Diploma, Bachelors, Masters or Doctor of Philosophy level in any field at any local institution or professional body recognized by the Malaysia government or approved by MOF b. Fees incurred for self or spouse to undertake upskilling or self enhancement courses in the field of Technical and Vocational Education and Training (TVET) recognised by the DG of Skills Development under the National Skills Development Act 2006 (limited to RM3,000) c. Fees incurred for undertaking the following (limited to RM2,000): • Courses, training and skills and self-enhancement classes unrelated to employment for self or spouse; or • Courses, training, classes or tuition in the field of Science, Technology, Engineering and Mathematics (STEM), arts, languages and religion for children **Effective date :** From YA 2027

Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
6. Tax relief for lifestyle for purchase or subscription of books, printed/electronic daily newspapers, personal computers, smartphones or tablets and internet subscriptions (limited to RM2,500)	Not applicable	The scope of lifestyle relief is expanded to include (limited to RM2,500): • Subscription expenditures for AI software and applications for personal use, spouse, or child • Pet care expenses incurred for pet adoption from registered animal shelters; and pet vaccinations, spaying or neutering procedures performed by registered veterinary service providers **Effective date :** From YA 2027
7. Tax relief up to RM1,000 on entrance fees to the following domestic tourist attractions: a. Museums, zoos, theme parks, national parks, marine parks and geoparks; and b. Cultural and art programmes.	1 year (for YA 2027)	Not applicable
8. Tax relief limited to RM8,000 for medical treatment expenses for parents and grandparents as follows: a. Medical treatment at clinics and hospitals; b. Treatment and care at home, day care centres and residential care centres (certified by medical practitioner); c. Dental examination and treatment; and d. Full medical examination and vaccinations (limited to RM1,000).	Not applicable	• Tax relief (b) to cover all types of care expenses • The tax relief claim must be supported by a written declaration from the carer or a copy of the carer's work permit together with the relevant receipts, without verification by any registered medical practitioner **Effective date :** From YA 2027

Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
9. Tax relief for sports related expenses for self, spouse, child or parents (limited to RM1,000): a. Purchase of sports equipment for sports activities listed under the Sports Development Act 1997 (exclude motorized two-wheel bicycles); b. Rental or entrance fees to sports facilities; c. Registration fees for participating in any sports competitions held by any organizer approved and licensed by the Commissioner of Sports under the Sports Development Act 1997; or d. Gymnasium membership fees or sports training fees charged by sports club or societies registered with the Commissioner of Sports or company incorporated under the Companies Act 2016 to carry out sports activities listed under the Sports Development Act 1997	Not applicable	To include purchase of sports shoes limited to RM300 (total tax relief remains at RM1,000) **Effective date :** From YA 2027

Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
10. Tax relief for contributions made to Social Security Organisation (SOCSO) and Employment Insurance System (EIS) (limited to RM350)	Not applicable	• To include mandatory contributions to the Self-Employment Security Scheme (LINDUNG KENDIRI) for 3 mandatory sectors, i.e. passenger transport, goods or food transport and hawkers as listed under the Self-Employment Social Security Act 2017 (limited to RM350) • Additional relief of RM150 for voluntary contributions to the Non-Employment Injury Scheme (LINDUNG 24) and 17 non-mandatory sectors under LINDUNG KENDIRI **Effective date :** From YA 2027

Summary of Extension of Time and Expansion of Scope

CORPORATE TAX

Description	Extension of Time	Expansion of Scope
1. Capital allowance for small value assets of 100% within one YA	Not applicable	• To increase the value of each small value assets from RM2,000 to RM3,000 • To increase the overall capital allowance limit claimable by companies other than Micro, Small and Medium Enterprises (MSMEs) from RM20,000 to RM30,000 for each YA **Effective date :** From YA 2027
2. Accelerated capital allowance on qualifying capital expenditure for plant, machinery and ICT equipment as follows: • Procurement of heavy machinery from local manufacturers • Procurement of plant and general machinery from local manufacturers • Purchase of ICT equipment and computer software package • Consultation, licensing and incidental fees related to the development of customised computer software (Initial allowance: 20%, Annual allowance: 40%)	4 years **Effective date :** For qualifying capital expenditure incurred from 1 January 2027 to 31 December 2030	Not applicable

Summary of Extension of Time and Expansion of Scope

TAX INCENTIVE

Description	Extension of Time	Expansion of Scope
1. Full income tax exemption on statutory income derived by Malaysian shipping companies from the operation of Malaysian ships, subject to the following conditions: a. Annual operating expenditure in Malaysia of at least RM250,000 for each Malaysian ship; and b. Employment of four (4) Malaysian citizens onshore employees comprising a Chief Executive Officer, an administrative and finance officer, an operating officer and an officer responsible for health, protection, safety and environmental affairs.	10 years	• To include a new condition requiring strategic management and effective control to be exercised in Malaysia. • To revise the employment condition to require at least four (4) Malaysian citizens with an average monthly salary of RM15,000 for each Malaysian ship. **Effective date :** From YA 2027 to YA 2036
2. 100% income tax exemption on statutory income for organising international incentive trips, conferences and trade exhibitions in Malaysia and certified by the Ministry of Tourism, Arts and Culture (MOTAC)	3 years **Effective date :** From YA 2028 to YA 2030	Not applicable
3. Tax incentive for equity crowdfunding for individual investors	4 years **Effective date :** For investments made from 1 January 2027 to 31 December 2030	Not applicable
4. Tax incentive for angel investors	4 years **Effective date :** For investments made from 1 January 2027 to 31 December 2030	Not applicable

Summary of Extension of Time and Expansion of Scope

STAMP DUTY

Description	Extension of Time	Expansion of Scope
1. Stamp duty exemption of 100% on instruments of transfer and loan agreements for the purchase of first residential property priced up to RM500,000 by Malaysian citizens (Sales and purchase agreements executed from 1 January 2021 until 31 December 2027)	3 years	For first residential property priced up to RM750,000: i. stamp duty on the first RM500,000 of the home price is 100% exempted; and ii. stamp duty on the remaining amount exceeding RM500,000 up to RM750,000 is 50% exempted. **Effective date :** Loan agreements and instruments of transfer involving sale and purchase agreements executed from 1 January 2027 until 31 December 2030
2. Stamp duty exemption of 100% on instruments of transfer and loan agreements relating to the revival of abandoned housing projects executed between the rescuing contractors or developers and the original buyers (Loan agreements and instruments of transfer executed from 1 January 2013 until 31 December 2025)	Reintroduce **Effective date :** Loan agreements and instruments of transfer executed from 1 January 2027 until 31 December 2030	Not applicable

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  - Sales Tax and Service Tax
  - Goods and Services Tax
- Tax Training & Seminar
- Employment Permit & Professional Pass Applications
- BEPS Pillar Two – Global Minimum Tax

Tax Seminar on Budget 2027

Kuala Lumpur
28 October 2026, Wednesday
8.45am - 5.00pm
Renaissance Hotel, Kuala Lumpur

Johor Bahru
2 November 2026, Monday
8.45am - 5.00pm
Renaissance Hotel, Johor Bahru

Penang
30 October 2026, Friday
8.45am - 5.00pm
Eastern & Oriental Hotel

Penang (Re-Run)
6 November 2026, Friday
8.45am – 5.00pm
Eastern & Oriental Hotel

Register now

Contact us

Find out how Grant Thornton can help you with your taxation matters.

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