



Budget 2026 Tax Snapshots

EY

Shape the future
with confidence

The better the question. The better the answer. The better the world works.

Budget 2026 unveiled today, 10 October 2025.

Budget 2026 marks a pivotal moment as Malaysia's first budget under the 13th Malaysia Plan (13MP). Continuing to advance the *MADANI* economic framework and with a total allocation of RM421.2 billion – RM338.2 billion for operating expenditure, RM81 billion for development expenditure and RM2 billion for contingency reserves – the Budget underscores the Government's ongoing commitment to fiscal resilience and inclusive growth. Despite the uncertain global economic climate, the Government expects the Malaysian economy to grow between 4% and 4.5% in 2026, with a reduced fiscal deficit of 3.5%. Budget 2026 aims to attract and maintain high-value investments, accelerate digital and green transformation, and enhance the well-being of the people through targeted reforms and social protection measures. Additionally, in support of Visit Malaysia Year 2026, various incentives have been announced to boost tourism and cultural activities.

Notable announcements include:

- a) In relation to the New Investment Incentive Framework, which was initially announced in Budget 2025:
 - The pilot phase is being implemented until the end of 2025.
 - Full implementation for the manufacturing sector in Q1 2026 and for the services sector in Q2 2026.
- b) The tax exemption on foreign-sourced dividend income received in Malaysia by certain categories of taxpayers, will be extended to 31 December 2030. In addition, from 1 January 2027 to 31 December 2030, this exemption will also apply to co-operative societies and trust bodies.

- c) Tax exemption on gains from the disposal of foreign capital assets received in Malaysia by certain categories of taxpayers will be extended to 31 December 2030.
- d) Profit distributions exceeding RM100,000 per annum received by individual partners (whether resident or non-resident) from a limited liability partnership will be subject to a 2% tax. This 2% tax previously only applies to dividend income of individuals, received from companies.
- e) Reiteration that carbon tax will be introduced in 2026, with an initial focus on the iron, steel and energy sectors.

Personal income tax

The following are all effective from the year of assessment (YA) 2026, unless stated otherwise.

- The individual income tax relief of RM3,000 on fees paid to registered childcare centers or kindergartens for children up to six years of age, will be expanded to include fees for registered daycare centers or transit centers for children up to 12 years of age.
- The individual income tax relief of RM1,000 on qualifying vaccination expenses for self, spouse or child will be expanded to cover all vaccines registered with and approved by the Ministry of Health.
- The individual income tax relief of up to RM3,000 on life insurance premium payments or *takaful* contributions for self and spouse will be expanded to include children.
- The individual income tax relief on expenses incurred for screening and detection, early intervention programs and ongoing rehabilitation treatment for children with disabilities aged 18 and below, will be increased from RM6,000 to RM10,000.
- The individual income tax relief of RM2,500 will be expanded to include the purchase of household food waste grinders and closed-circuit television (CCTV) for home use. The tax relief can be claimed once in either YA 2026 or YA 2027.
- A special RM1,000 tax relief for expenses relating to entrance fees to local tourism attractions and cultural programs will be given, for YA 2026 only.

Indirect tax

- Introduction of digital tax stamps with enhanced security features to curb counterfeiting and leakage at import entry points.
- From 1 January 2026, Sales Tax and customs duties will be imposed on vehicles exceeding RM300,000 in value imported or brought into Langkawi or Labuan.
- Sales Tax and import duty exemptions on nicotine replacement therapy products will be extended to 31 December 2027 and expanded to include nicotine mists and nicotine lozenges.
- Excise duty on alcoholic beverages will be increased by 10% with effect from 1 November 2025.
- Excise duty on cigarettes, cigars, cheroots, cigarillos and heated tobacco products will be increased from 1 November 2025.
- 100% Sales Tax and excise duty exemptions will continue to be enjoyed by taxi owners and rental car operators acquiring PROTON and PERODUA cars.

Tax incentives

- Venture capital tax incentives will be revised, with special tax rates and dividend tax exemptions for a period of 10 years.
- 100% Green Investment Tax Allowance for companies that use green technology products in their local supply chains, which are certified by *MyHIJAU Mark*.
- Additional 50% tax deduction for micro, small, and medium enterprises (MSMEs) on training costs related to artificial intelligence (AI) and cybersecurity recognized by the *MyMahir* National AI Council for Industry (NAICI), which is jointly led by TalentCorp and MyDigital.
- Companies undertaking new food production projects will be given 100% tax exemption on statutory income, for 10 years. Existing companies in this space undertaking expansion projects will be given 100% tax exemption on statutory income, for five years.

- Companies will be given a double deduction on scholarship expenses for qualifying students, covering scholarships for bachelor's degrees and professional qualifications, including the fields of information and communications technology (ICT), engineering, accounting and finance.
- The double deduction for companies that sponsor training for persons with disabilities will be extended to sponsorship of care worker training programs recognized by the Ministry of Women, Family and Community Development.
- A special deduction equal to 10% of qualifying expenses will be given for renovation and conversion of commercial buildings into residential premises. The deduction is capped at RM10 million.
- Accelerated capital allowances, to be claimed within one year, will be given on the cost of speed limiters for heavy vehicles.
- Tax incentives for automation in the agricultural sector for planting, livestock farming, apiculture, aquaculture and deep-sea fishing will be expanded to include the raising of selected animals in a closed-house system.
- The application period for tax exemptions for social enterprises will be extended to 31 December 2028.
- Companies and individuals with business income will be given income tax deductions for contributions to *Kampung Angkat*, *Sekolah Angkat MADANI* and *Sejahtera MADANI* programs.

Tourism and events

- Tourism operators who refurbish and renovate their premises will be eligible for a tax deduction of up to RM500,000 on qualifying expenditure.
- Tour operating companies will be given 100% income tax exemption on the value of increased income from tour packages to Malaysia.
- Companies, associations or organizations that organize international conferences or trade fairs will be given 100% income tax exemption on statutory income.
- Companies that organize international-level arts, cultural, tourism, sports or recreational events involving foreign participants will be given 50% income tax exemption on statutory income.

Stamp duty

- Stamp duty exemptions:
 - Employment contracts for monthly remuneration of RM3,000 or less. This applies for employment contracts executed from 1 January 2026.
 - Instruments of transfer and loan agreements for the purchase of a first home worth up to RM500,000 will be extended to 31 December 2027.
 - Insurance policies or small-value *takaful* certificates purchased by individuals and MSMEs will be extended to 31 December 2028.
 - Insurance policies and *takaful* certificates for *Perlindungan Tenang* products will be extended to 31 December 2028.
- The 4% stamp duty rate on instruments of transfer of residential property to non-citizen individuals (except permanent residents) and foreign companies will be increased to 8%. This applies for instruments of transfer executed from 1 January 2026.

*

For a comprehensive list of the tax proposals announced, please refer to the *EY Take 5: Malaysia Budget 2026* publication.

Contact details

Principal Tax

Yeo Eng Ping (EY Asia East Tax Leader)
eng-ping.yeo@my.ey.com
+603 7495 8288

Amarjeet Singh (EY Asean Tax Leader)
amarjeet.singh@my.ey.com
+603 7495 8383

Farah Rosley (Malaysia Tax Leader)
farah.rosley@my.ey.com
+603 7495 8254

People Advisory Services

Tan Lay Keng
lay-keng.tan@my.ey.com
+603 7495 8283

Christopher Lim
christopher.lim@my.ey.com
+603 7495 8378

Irene Ang
irene.ang@my.ey.com
+603 7495 8306

Cynthia Wong
cynthia.wong@my.ey.com
+603 7495 8129

Jaclyn Tan (Payroll Operate Services)
jaclyn.tan@my.ey.com
+603 7495 8404

Indirect Tax

Farah Rosley
farah.rosley@my.ey.com
+603 7495 8254

Yeoh Cheng Guan
cheng-guan.yeoh@my.ey.com
+603 7495 8408

Jalbir Singh Riar
jalbir.singh-riar@my.ey.com
+603 7495 8329

Aaron Bromley
aaron.bromley@my.ey.com
+603 7495 8314

Financial Services

Koh Leh Kien
leh-kien.koh@my.ey.com
+603 7495 8221

Bernard Yap
bernard.yap@my.ey.com
+603 7495 8291

Gary Ling (Transfer Pricing)
gary.ling@my.ey.com
+603 7495 8388

Global Compliance and Reporting

Farah Rosley
farah.rosley@my.ey.com
+603 7495 8254

Julian Wong (EY Asean Global Compliance and Reporting Leader)
julian.wong@my.ey.com
+603 7495 8347

Asaithamby Perumal
asaithamby.perumal@my.ey.com
+603 7495 8248

Liew Ai Leng
ai-leng.liew@my.ey.com
+603 7495 8308

Elias Mohammad
elias.mohammad@my.ey.com
+603 7495 8208

Janelle Lim
janelle.lim@my.ey.com
+603 7495 8380

Linda Kuang
(based in Kuching)
linda.kuang@my.ey.com
+6082 752 660

Mark Liow
(based in Penang)
mark.liow@my.ey.com
+604 688 1899

Sharmila Sinnasamy (Global Tax CoE)
sharmila.sinnasamy@my.ey.com
+603 7495 8105

Vanessa Khaw (Global Tax CoE)
vanessa.khaw@my.ey.com
+603 7495 8318

Ng Chee Shiong (Tax Technology)
chee.shiong.ng@my.ey.com
+603 7495 8507

International Tax and Transaction Services

Yeo Eng Ping
eng-ping.yeo@my.ey.com
+603 7495 8288

Amarjeet Singh
amarjeet.singh@my.ey.com
+603 7495 8383

Sockalingam Murugesan (EY Asean Transfer Pricing Leader and Malaysia Transfer Pricing Leader)
sockalingam.murugesan@my.ey.com
+603 7495 8224

Anil Kumar Puri
anil-kumar.puri@my.ey.com
+603 7495 8413

Andrew Loh
andrew.loh@my.ey.com
+603 7495 8313

Chua Meng Hui
meng-hui.chua@my.ey.com
+603 7495 8261

Sharon Yong
sharon.yong@my.ey.com
+603 7495 8478

Florence Tan
florence.tan@my.ey.com
+603 7495 8585

Derek Chan
derek.chan@my.ey.com
+603 7495 8336

Shalini R Chandrarajah
shalini.chandrarajah@my.ey.com
+603 7495 8281

Gary Ling (Transfer Pricing)
gary.ling@my.ey.com
+603 7495 8388

Hisham Halim (Transfer Pricing)
hisham.halim@my.ey.com
+603 7495 8536

Vinay Nichani (Transfer Pricing)
vinay.nichani@my.ey.com
+603 7495 8433

Robert Yoon (EY Asean Quantitative Services Leader)
(based in Johor)
robert.yoon@my.ey.com
+603 7495 8332

Bernard Yap (Private Tax)
bernard.yap@my.ey.com
+603 7495 8291

Wong Chow Yang (Private Tax)
chow-yang.wong@my.ey.com
+603 7495 8349

Chua Siong Chee (Private Tax)
siong-chee.chua@my.ey.com
+603 7495 8410

Anissa Anuar (Private Tax)
anissa.anuar@my.ey.com
+603 7495 8487

Chan Vai Fong (Tax Controversy)
vai-fong.chan@my.ey.com
+603 7495 8317

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 Ernst & Young Tax Consultants Sdn. Bhd.
All Rights Reserved.

APAC no. 07011593

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com