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Budget 2027 Tax Snapshots

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Budget 2027 unveiled today, 9 October 2026

Budget 2027, themed Malaysia MADANI: Reaching to the Sky, Rooted in the Earth, marks Malaysia's second budget under the 13th Malaysia Plan.

The budget introduces a broad package of tax measures aimed at easing cost-of-living pressures, supporting Micro, Small and Medium Enterprises (MSME), improving the investment climate and accelerating the green transition. The measures include increased personal tax reliefs, reduced tax rates for middle-income individuals and MSME, extension of incentive periods, as well as enhancement of the Global Services Hub incentive framework.

Taken together, the measures seek to address immediate household and business pressures while advancing Malaysia's longer-term competitiveness, investment and growth priorities.

RM459.8b

Total allocation

RM376.8b

Operating
expenditure

RM83b

Development
expenditure

3.3%

Fiscal deficit (2027)

Important note

This snapshot highlights selected tax measures from the Budget speech. The EY Take 5: Malaysia Budget 2027 publication should be referred to for the comprehensive list of tax proposals.

Notable announcements

01	Individual tax relief will be increased from RM9,000 to RM12,000 per annum.						
02	Individual income tax rates for resident individuals will be reduced as follows: <table> <tr> <th>Chargeable income band</th><th>Tax rate</th></tr> <tr> <td>From RM70,001 to RM100,000</td><td>18%</td></tr> <tr> <td>From RM100,001 to RM150,000</td><td>24%</td></tr> </table>	Chargeable income band	Tax rate	From RM70,001 to RM100,000	18%	From RM100,001 to RM150,000	24%
Chargeable income band	Tax rate						
From RM70,001 to RM100,000	18%						
From RM100,001 to RM150,000	24%						
03	The Global Services Hub (GSH) tax incentive will be enhanced as follows from 1 January 2027: ▪ New companies: Special tax rate of 5% on income derived from GSH activities. ▪ Existing Principal Hub or GSH companies: Special tax rate of 5% on income exceeding the baseline income. ▪ Extension of the GSH incentive period in five-year blocks, up to a maximum of 30 years. ▪ Exemption from withholding tax on interest payments and stamp duty on inter-company loan agreements for GSH companies undertaking treasury and fund management activities, including GSH companies under the Johor-Singapore Special Economic Zone package.						
04	The corporate income tax rate for Micro, Small, and Medium Enterprises (MSME) will be reduced as follows: ▪ First RM150,000 of chargeable income: Reduced from 15% to 14%. ▪ Chargeable income between RM150,001 and RM600,000: Reduced from 17% to 16%.						
05	A refund of sales tax will be available on: ▪ Machinery, spare parts and equipment ▪ Raw materials used to produce pharmaceutical products, animal feed, fertilizers and pesticides supplied by local traders or distributors to manufacturers.						

Personal income tax

- The individual income tax rate for resident individuals with chargeable income of above RM1 million will be increased to 30%. Currently, the rate for the chargeable income tax band of between RM1 million and RM2 million is 28%, with the 30% rate applying for chargeable income exceeding RM2 million.
- Individual tax reliefs will be expanded as set out below. The relief amounts remain unchanged.
 - a) Medical treatment relief of up to RM10,000 per annum will be expanded to include postnatal care services.
 - b) Relief for the care for parents and grandparents of up to RM8,000 will be expanded to cover all care-related expenses and will no longer be limited to healthcare.
 - c) Sports equipment will include the purchase of sports shoes.
 - d) Relief for education and skills training fees will be expanded to cover all fields of study and children's tuition fees.
 - e) Lifestyle relief will be expanded to include AI subscriptions as well as costs for pet vaccination and adoption.
- Tax relief for Social Security Organisation (SOCSSO) contributions will be expanded to cover mandatory contributions to the LINDUNG KENDIRI scheme. An additional relief of up to RM150 will be granted for voluntary contributions to the LINDUNG 24 JAM and LINDUNG KENDIRI schemes.

Indirect tax

- Effective 1 January 2027, the service tax rate for elderly care services will be reduced from 8% to 6%, with a full exemption given for care fees of up to RM96,000 per year.
- The purchase limit for duty-free goods for visitors and tourists to Langkawi and Labuan will be increased from RM1,000 to RM10,000, subject to a minimum stay of 48 hours. More Langkawi-made products will be granted import duty exemptions.

Tax incentives

- The Reinvestment Allowance tax incentive, including eligibility conditions and the manner in which the incentive is granted, is being reviewed.
- The full tax exemption for statutory income from:
 - a) transporting passengers or cargo by sea on a Malaysian ship; or
 - b) letting out on charter a Malaysian ship owned by him on a voyage or time charter basiswill be extended until the year of assessment 2036.
- The Automotive Hi-Tech Valley in Tanjong Malim is being positioned as a regional automotive hub. To encourage wholly local-owned automotive vendor companies to relocate their operations there, a tax deduction will be granted on eligible relocation costs of up to RM5 million for expenses incurred between 1 January 2027 and 31 December 2030.
- To position Malaysia as an Islamic fund management hub, Shariah-compliant fund management service providers will be granted a 40% income tax exemption for the years of assessment 2028 to 2030.
- To encourage sustainable Shariah-compliant financing, Sukuk Prisma issuers will be given a tax deduction on issuance costs approved by the Securities Commission for the years of assessment 2027 to 2030.
- Grants received under the Sustainable and Responsible Investment (SRI) Sukuk and Bond Grant Scheme will be granted an income tax exemption effective 1 January 2027.
- To encourage more companies to adopt green and sustainable technologies, tax incentives have been enhanced and extended until 31 December 2030 as follows:
 - a) Companies undertaking green and sustainable technology projects and electric vehicle charging station projects are eligible for Investment Tax Allowance (ITA) of up to 100%.
 - b) Companies purchasing green technology assets for their own use are eligible for ITA of up to 100%.
- Tax exemptions for individual investors investing via equity crowdfunding platforms and angel investors funding early-stage technology startups will both be extended until 31 December 2030.

- Tax incentives for organizing international-standard incentive trips, conferences, and trade exhibitions will be extended until the year of assessment 2030.

Stamp duty

- A full stamp duty exemption will be given on loan agreements and instruments of transfer for first home purchases, for homes priced up to RM500,000. For first homes priced up to RM750,000, a full stamp duty exemption applies to the first RM500,000, with a 50% exemption on the balance. This applies to purchases where the sale and purchase agreements are executed between 1 January 2027 and 31 December 2030.
- Stamp duty on loans to purchase or construct ships will apply at a fixed rate of RM2,000 for loans of up to RM100 million and RM5,000 for loans exceeding RM100 million.

Corporate tax

- Companies other than MSMEs can only claim tax deductions for wage expenses if the wages are paid into bank accounts, in accordance with the channels permitted under the Employment Act 1955. Tax deductions for other expenses are not subject to this condition.
- The value limit for each small asset eligible for capital allowance is raised from RM2,000 to RM3,000. For companies other than MSMEs, the overall claim limit is raised from RM20,000 to RM30,000.
- The Accelerated Capital Allowance for expenditure on ICT equipment and software, and locally-produced plant and machinery will be extended until 31 December 2030.

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