

# Take5 for business

Volume 14 Issue 9 - 10 October 2025

## Malaysia Budget 2026



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



Shape the future  
with confidence





# contents

---

Budget 2026 perspectives

---

Budget snapshot: Fiscal position

---

Economic overview

---

Snapshot: 13th Malaysia Plan

---

Key commitments of Budget 2026

---

Tax measures

- 1 Businesses
- 2 Indirect tax
- 3 Individual tax
- 4 Stamp duty

---

Contacts

---



“

Budget 2026 continues with initiatives consistent with the long-term guidance of the *Ekonomi MADANI* principles.

This year's key measures are both strategic and practical, focusing on strengthening our fiscal position through digitalization, facilitating a decisive shift into an innovative and sustainable economy, and doubling down on high-impact sectors aligned with NIMP 2030. A continued emphasis on improving social protection remains a core pillar.

The success of these strategic initiatives hinges on their clarity and effective implementation. A true whole-of-nation approach will be critical to bring these policies to life, ensuring tangible benefits for all Malaysians and securing our long-term economic objectives.



**Dato' Abdul Rauf Rashid**

Malaysia Managing Partner,  
Ernst & Young Consulting Sdn. Bhd.

“

FY2026 will see a reduction in the budget deficit and an increase in the nation's tax-to-GDP ratio, as the various tax changes announced in recent years translate to tax revenue growth. It is important that the implementation and execution of the measures be closely monitored and refined as necessary, to ensure that the intended outcomes are achieved. The emphasis on enforcement, digitalization and an outcome-based incentive framework—rather than new taxes—supports Malaysia's journey toward a more competitive and inclusive economy. Further, the proposed extension of the foreign-sourced dividend income exemption until 2030 will provide certainty to Malaysian groups and multinationals using Malaysia as a holding company location.



**Farah Rosley**

Malaysia Tax Managing Partner,  
Ernst & Young Tax Consultants Sdn. Bhd.





# Budget 2026 perspectives

On 10 October 2025, YAB Dato' Seri Anwar Ibrahim, Prime Minister and Minister of Finance, tabled Malaysia's Fourth *MADANI* Budget in Parliament, the first under the 13th Malaysia Plan (13MP). With a total allocation of RM419.2 billion, the Budget is focused on revitalizing the economy, strengthening social protection and accelerating structural reforms.

Budget 2026 represents a shift from stabilization to transformation, building on earlier recovery-focused measures while advancing fiscal discipline, accelerating digitalization and promoting inclusive growth. Delivering these ambitions will require balancing expansionary spending with fiscal prudence. To support this, the Government is targeting a fiscal deficit of 3.5% of GDP in 2026, with revenue projected to rise to RM343.1 billion without introducing new taxes. Underpinned by subsidy rationalization, stronger tax enforcement and the digitalization of tax administration, the Government maintains its goal of reducing the deficit to below 3% of GDP by 2030.

For businesses, Budget 2026 brings opportunities and change: new incentives for high-value sectors, expanded ESG measures and a more technology-driven compliance environment. The following themes highlight key developments and their implications for business leaders and taxpayers.

## Strengthening tax compliance

Tax administration reforms are moving into full implementation, with measures designed to strengthen compliance and improve efficiency.

The nationwide rollout of e-Invoicing by mid-2026 will equip the Inland Revenue Board with real-time tools to reduce evasion and streamline enforcement. Complementary measures include the 2026 introduction of stamp duty self-assessment and digital tax stamps to curb counterfeiting and leakages.

## Supporting strategic investments

Budget 2026 builds on the momentum of the New Industrial Master Plan (NIMP) 2030 and the New Investment Incentive Framework (NIIF), with targeted support in strategic areas such as semiconductors, artificial intelligence (AI), the digital economy, energy transition and others.

Sectoral emphasis is evident in the RM550 million allocation for semiconductor ecosystem development, RM500 million in loans under the National Semiconductor Strategy (NSS), and RM180 million for industrial development in AI and digital sectors. The launch of SemiconStart, a global incubator for semiconductor startups, reinforces Malaysia's ambition to transition from "Made in Malaysia" to spurring Malaysian innovation. Complementing these initiatives, Government-Linked Investment Companies (GLICs) under the GEAR-uP program will increase domestic investments to RM30 billion in 2026 (up RM5 billion from 2025) to scale local companies in strategic growth sectors.

In parallel, broader measures to attract and retain investment include the ASEAN Business Entity (ABE) status to support regional expansion and talent mobility, the Investor Pass offering 12-month multiple-entry visas, and the continuation of the Residence Pass-Talent Fast Track scheme.

Other areas of focus include the Single Family Office (SFO) Incentive Scheme in Forest City, which has already attracted RM400 million in assets under management, with a RM2 billion target by end-2026.

## Supporting households and expanding social protection

Budget 2026 supports inclusive development through measures that ease household burdens and promote equitable opportunities. Families benefit from a permanent RM3,000 childcare relief, now covering daily care and after-school centers with eligibility extended to children up to 12 years of age, higher reliefs for families with children with disabilities, and an expansion of coverage for life, education and medical insurance. Relief for vaccination expenses now applies to all vaccines approved by the National Pharmaceutical Regulatory Agency, underscoring the Government's focus on preventative healthcare.

Social protection is strengthened through the enhanced *i-Saraan* Plus scheme, offering gig, e-hailing, and p-hailing workers matching EPF contributions, while the original *i-Saraan* matching contributions continue for informal and other self-employed workers. The Gig Workers Bill 2025 requires gig workers in specified sectors to contribute to SOCSO, with the Government subsidizing 70% of contributions in the first year and 50% in the second year.

# Budget 2026 perspectives *(cont'd)*

## Tax measures and incentives

Budget 2026 unveils a broad suite of tax measures to enhance business resilience and investment appeal. New and revamped incentives span capital markets, venture capital, energy transition, food security, tourism and employment, signalling a future-ready and inclusive economic agenda.

A key highlight is the four-year extension (2027-2030) of the exemption on foreign-sourced dividend income and capital gains received in Malaysia by resident companies and certain other categories of taxpayers.

Venture capital participants will continue to benefit from reduced tax rates, now proposed to be 5% for Venture Capital Companies (VCCs) and 10% for Venture Capital Management Companies (VCMCs). To further stimulate this industry, tax exemption will be given on dividends paid to individual shareholders of VCCs; and VCCs will have the flexibility to be set up as domestic Limited Liability Partnerships (LLPs), or Labuan limited partnerships or LLPs.

Listing cost deductions of up to RM1.5 million are also extended to micro, small and medium enterprises (MSMEs) in the energy and utilities sector until 2030.

First introduced in Budget 2025, the outcome-based incentive framework will be fully implemented in 2026. Separately, businesses will also benefit from accelerated capital allowances and expanded deductions relating to AI and research and development (R&D).

Finally, the stamp duty exemption threshold for employment contracts will rise from RM300 to RM3,000 monthly, lowering hiring costs.

Whilst Budget 2026 presents many favourable exemptions and incentives, the tax base will be broadened by extending the 2% tax which previously only applied to dividend income of individuals, to partnership distributions exceeding RM100,000 per year received by individual partners of LLPs.

## Carbon tax and sustainability measures

Whilst it was reiterated that carbon tax will be introduced in 2026, focusing on the iron, steel and energy sectors, no further details were announced in Budget 2026. To ensure consistency in implementation, the carbon tax mechanism will be aligned with the National Climate Change Bill and the National Carbon Market Policy. Malaysia will also need to consider global developments, including the EU's Carbon Border Adjustment Mechanism (CBAM) and emerging carbon pricing frameworks, when developing its carbon tax strategy. For example, to mitigate "double" taxation and ensure creditability of the carbon tax against the EU CBAM, there would need to be an alignment of the Malaysian carbon tax framework with the EU framework. It is expected that carbon tax will be introduced at a low rate, to avoid inflationary impact, and allow monitoring and refinement.

Complementing this, the Budget expands sustainability efforts. RM1 billion is allocated under the Green Technology Financing Scheme (GTFS) 5.0, and Government guarantees will be provided for green projects and major investments in solar and renewable energy. Additional measures include tax relief for food waste grinders and RM250 million for state-level conservation. These initiatives reflect Malaysia's strategic push toward embedding sustainability into its fiscal and industrial landscape.

---

**Budget 2026 marks a natural progression from recovery to reform, reflecting a fiscal strategy that prioritizes long-term resilience and inclusive growth. With no new taxes introduced, the Government will leverage structural reforms, digitalization and targeted incentives to strengthen Malaysia's economic foundations. Businesses will need to navigate a more transparent, tech-enabled compliance landscape while capitalizing on emerging opportunities in high-impact sectors. As Malaysia embarks on the first phase of the 13MP, we look forward to seeing these measures contribute to the ongoing progress towards a more competitive, equitable and sustainable economy aligned with the *MADANI* vision.**

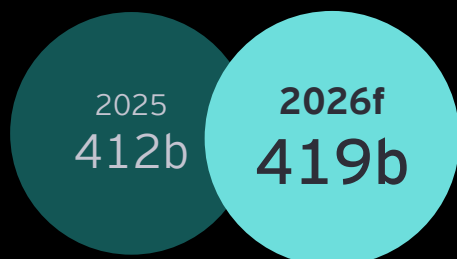
---



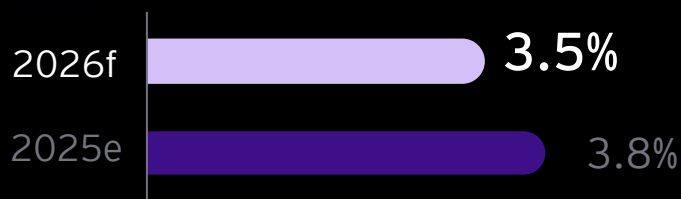
# Budget snapshot:

# Fiscal position

## Government allocation<sup>1</sup>



## Fiscal deficit



## Operating expenditure<sup>2</sup>

2026f: RM338b



2025re: RM332b

## Development expenditure<sup>2</sup>

2026f: RM80b<sup>3</sup>



2025re: RM79b

## Government revenue

2026f: RM343b



2025re: RM334b

## Debt-to-GDP ratio<sup>4</sup>

2025re: 64%



### Notes:

<sup>1</sup>Government allocation excludes contingency reserves (FY26 contingency reserves: RM2b)

<sup>2</sup>Budget estimates excluding Budget 2026 measures

<sup>3</sup>The above is extracted from the Economic Outlook 2026 report. The development expenditure stated in the budget speech is RM81b

<sup>4</sup>For 2025, data is as at end-June 2025

e = Estimate

f = Forecast

re = Revised estimate

# Numbers may not add up due to rounding

### Sources:

- Budget speeches 2025 and 2026, Ministry of Finance (MoF)
- MoF economic reports, 2024 to 2026

# Economic overview

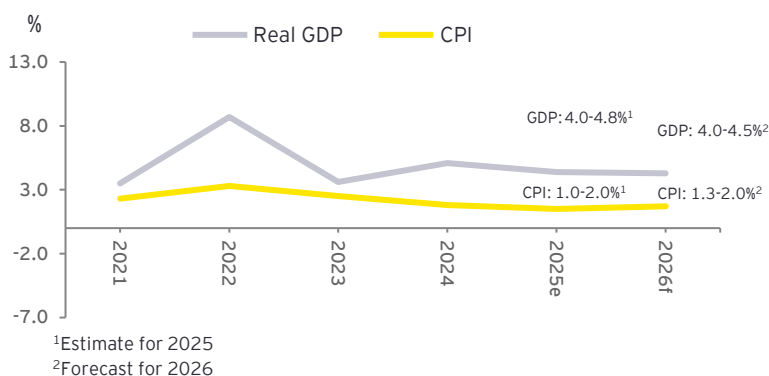
## Real GDP versus CPI

The Malaysian economy is expected to grow between 4.0% and 4.5% in 2026.

This compares to projected growth of between 4% and 4.8% in 2025, driven by firm domestic demand.

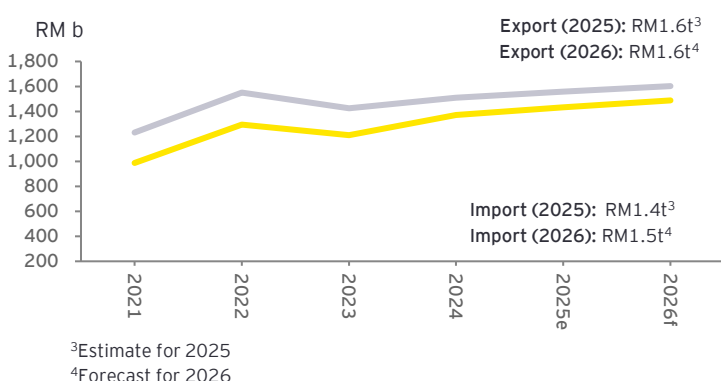
The inflation rate for 2026 is forecasted to be between 1.3% and 2.0%. By comparison, the inflation rate in 2025 is projected to be between 1.0% and 2.0%, shaped by steady domestic demand, stable global cost conditions and improved policies aimed at supporting household purchasing power.

Real GDP versus CPI



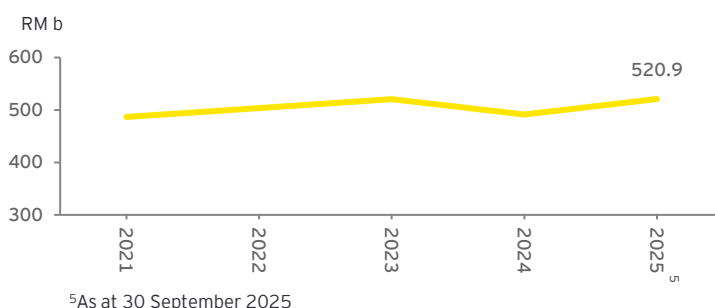
## Trade (goods and services)

Total trade is expected to increase 3.9% year-on-year to RM3 trillion in 2025, supported by steady global trade conditions and Malaysia's resiliency of exports amid trade and geostrategic vulnerabilities.

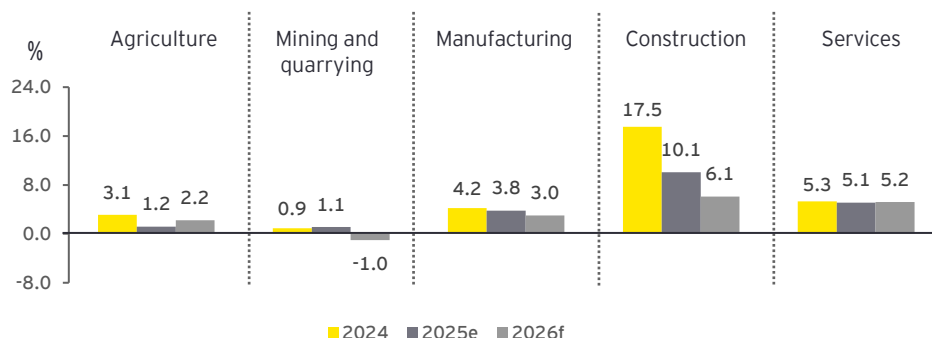


## Net international reserves

As at 30 September 2025, Malaysia's total international reserves amounted to RM520.9 billion, which is 0.9 times the total short-term external debt and is sufficient to finance 4.8 months of imports of goods and services.



## Growth by sectors



In 2025, all sectors are expected to record growth. In particular, the construction sector is expected to expand by 10.1%, driven by solid performance across all subsectors.

The services sector is forecasted to grow by 5.1% in 2025, driven by resilient household spending and higher visitor arrivals leading to robust domestic tourism activities.

The manufacturing sector is expected to expand by 3.8% in 2025, supported by expansion in both export and domestic-oriented industries.

### Sources:

- MoF economic reports
- Press release by Bank Negara Malaysia (BNM), 7 October 2025

# Snapshot: 13th Malaysia Plan

Malaysia is set to implement the 13MP (2026 - 2030), a comprehensive five-year development strategy aimed at advancing the nation's socioeconomic progress amid global challenges. Rooted in the ***Ekonomi MADANI*** framework, this plan seeks to position Malaysia as a leading economy in Southeast Asia while improving the quality of life for its people. The 13MP outlines strategic measures to enhance competitiveness, reduce disparities and future-proof the economy.

## Total development budget

# RM430b

12MP: RM415b

- Economy: **RM227b**
- Security: **RM51b**
- Education: **RM67b**
- Healthcare: **RM40b**

## Key targets and projections in the 13MP

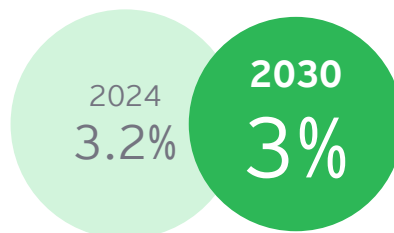
### GDP growth

2026 - 2030:

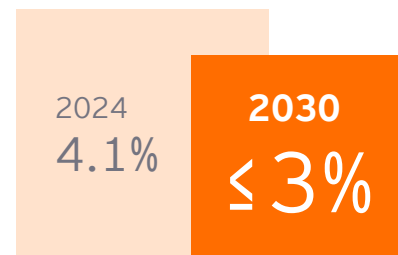
## 4.5% - 5.5%

2021 - 2025<sup>1</sup>: 5.1%

### Unemployment rate



### Fiscal deficit to GDP



### Labor productivity growth

2026 - 2030:

## 3.6%

2021 - 2024: 2.7%

### Gross national income per capita

By 2030:

## RM77,200

2024: RM54,793

### Top growth sectors



Manufacturing

## 5.8%



Services

## 5.2%

### Inflation rate

2024: 1.8%

2026 - 2030:

## 2% - 3%



<sup>1</sup>average data for 2025  
Source: 13th Malaysia Plan, 2026-2030



# Key commitments of Budget 2026

As the inaugural budget that encourages the 13MP, Budget 2026 sets out nine key commitments centered on the three thrusts of *Ekonomi MADANI*.



## 3 thrusts of *Ekonomi MADANI*



Drive reform and good governance



Raise the ceiling of national growth



Raise the floor of *rakyat's* living standards

## 9 key commitments

Uphold good governance

Fulfil the needs of the *rakyat*

Champion a high-value economy

Spur Malaysian innovation

Enhance national resilience

Bridge gaps, create opportunities

Safeguard the *rakyat's* livelihood

Strengthen public services

Build identity, develop values

Source: MoF, Budget speech

# Tax measures

## 1

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Tax exemption on foreign-sourced income and gains

- 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.
- The foreign-sourced income exemption for unit trusts (excluding Real Estate Investment Trusts and Property Trust Funds) will be extended to 31 December 2030.
- The 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.

#### Tax refunds

Tax refunds for overpaid taxes will be expedited.

#### Carbon tax

Carbon tax will be introduced in 2026, initially targeting the iron, steel and energy sectors.

#### Deductions

- Additional 50% tax deduction will be available once in two years for expenses incurred by MSMEs, including those contributing to the Human Resources Development Fund (HRDF), on AI training recognized by *MyMahir* National AI Council for Industry (NAICI). Applications must be received by TalentCorp from 1 January 2026 to 31 December 2027.
- Double deductions for companies providing scholarships will be expanded to scholarships for students pursuing *Sijil Teknik Vokasional* and qualified professional certification courses, including in the fields of information and communications technology (ICT), engineering, accounting and finance. The household income of the student's parents or guardians should not exceed RM15,000 per month. This applies from the year of assessment (YA) 2026 to YA 2030.
- Double deductions for companies sponsoring training for persons with disabilities will be expanded to include care workers (who are not employees of the company) to undergo training programs in institutions recognized by the Ministry of Women, Family and Community Development. This applies for YA 2026 and YA 2027.



# Tax measures

## 1

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Deductions

- The further deduction for employers hiring senior citizens will be extended to YA 2030.
- The income tax deduction of up to RM1.5 million for expenses incurred on listing on Bursa Malaysia's Main Market, Access, Certainty, Efficiency (ACE) Market, and Leading Entrepreneur Accelerator Platform (LEAP) Market by technology-based companies and MSMEs will be expanded to include MSMEs in the energy and utilities sectors. Further, this deduction will be extended to YA 2030.
- 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.
- The scope of approved donations will be reviewed to include cash donations to Civil Society Organizations (CSOs) for approved anti-corruption education programs. This applies to applications received by the MoF from 1 January 2026 to 31 December 2028.
- Tax deduction will be available for companies and individuals with business income contributing to *Kampung Angkat* and *Sekolah Angkat MADANI* programs under *Sejahtera MADANI*.
- Deduction will be given for cash donations made to the Trust Account of the Department of Museums Malaysia.
- The further deduction given on the remuneration of ex-convicts, attendees and former attendees of the Henry Gurney School, cure and care rehabilitation centers as well as non-government care centers registered under the Department of Social Welfare, will be expanded to include Prisoners Released on License under the Prisons Act 1995 as well as drug / substance dependents and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependents and Misusers (Treatment and Rehabilitation) Act 1983. This is effective from YA 2026 to YA 2030.

# Tax measures

# 1

## Businesses

## Indirect tax

## Individual tax

## Stamp duty

### Accelerated capital allowances (ACA)

- ACA (20% initial allowance and 40% annual allowance) will be given on qualifying capital expenditure incurred from 11 October 2025 to 31 December 2026 for the purchase of:
  - Heavy machinery from local manufacturers
  - Plant and general machinery acquired from local manufacturers
  - ICT equipment and computer software
  - Consultation, licensing and incidental fees related to customized computer software development
- ACA (20% initial allowance and 80% annual allowance) will be given on the cost of speed limiters for heavy vehicles, up to RM4,000 per unit, subject to the following conditions:
  - Speed Limitation Device (SLD) retrofit installation must be certified by a Verification Body recognized by the Road Transport Department.
  - Heavy vehicles must be manufactured before 1 January 2015 without existing SLD, limited to the following categories:
    - Goods vehicle > 3,500 kg Gross Vehicle Weight (GVW)
    - Passenger vehicles > 5,000 kg GVW and designed to carry > 8 passengers
  - Not applicable for SLD replacements
  - SLD installations must be carried out from 1 January to 31 December 2026.

### New Investment Incentive Framework (NIIF)

The NIIF was initially announced in Budget 2025. The pilot phase is currently being implemented until the end of 2025, with full implementation for the manufacturing sector in Q1 2026 and for the services sector in Q2 2026.

### Green technology investment

100% Green Investment Tax Allowance will be given to companies using green technology products which are certified by *MyHIJAU Mark*. The budget speech suggests that these products must be sourced locally. Further details are expected in relation to this incentive.



# Tax measures

## 1

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Sustainable and Responsible Investment (SRI) *Sukuk* and Bond Grant Scheme

The SRI *Sukuk* and Bond Grant Scheme will be revised as follows:

- The grant allocation received from the Securities Commission (SC) for external review expenditure will be increased from 90% to 100% of the grant, subject to the existing cap of RM300,000.
- The income tax exemption on the grant will be extended for an additional three YAs, from 1 January 2026 to 31 December 2028.
- Expansion of eligible instruments to include *sukuk* and bonds that conform to the ASEAN Taxonomy for Sustainable Finance.

The above applies for new applications received by SC from 1 January 2026 to 31 December 2028.

#### Venture capital

For Venture Capital Company (VCC):

- A corporate tax rate of 5% will be imposed on statutory income from all sources, excluding interest income from savings or fixed deposits, or profits from *Shariah*-compliant deposits. The VCC must invest a minimum of 20% of its funds in local venture companies.
- The tax incentive will be granted for a maximum period of 10 years or for the remaining life of the fund starting from the year the VCC obtains its first certification from SC. The VCC fund's first certification by SC must be obtained no later than 31 December 2035.
- The incentive will also apply to entities established under the Limited Liability Partnerships Act 2012, and entities established under the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which have elected to be taxed under the Income Tax Act 1967 (ITA).

For Venture Capital Management Company (VCMC):

- From YA 2018 to YA 2026, VCMCs enjoy 100% income tax exemption on income derived from the share of profits, management fees and performance fees. An appendix to the Budget speech states that from YA 2025 to YA 2035, such income will be subject to a 10% tax rate. It is unclear whether VCMCs which currently qualify for the full income tax exemption will instead be subject to this 10% tax rate for YA 2025 and YA 2026.

For individual shareholders of VCC:

- Dividends paid, credited, or distributed by VCCs to individual shareholders will be exempted from income tax from YA 2025 to YA 2035.
- This exemption does not apply to individuals who hold shares through nominees.

# Tax measures

## 1

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Meetings, Incentives, Conferences, and Exhibitions (MICE)

- The existing tax incentive for MICE will be revised and extended to YA 2027. Under the revised incentive, 100% income tax exemption on statutory income will be granted to organizers verified by MOTAC, subject to the following annual conditions:
  - $\geq 1,500$  foreign participants for incentive trips
  - $\geq 2,000$  foreign participants for conferences
  - $\geq 3,000$  foreign participants for trade exhibitions
- To support Visit Malaysia Year 2026, the existing 50% tax exemption on statutory income for organizers of approved arts and cultural activities and international sports and recreational competitions, will be broadened to include tourism activities (excluding concerts) approved by MOTAC and will be extended to YA 2027.

#### Extension of income tax exemption for accredited social enterprises (SEs)

The application period to MoF for income tax exemption for up to three consecutive YAs is extended to 31 December 2028.

#### Endowment funds for public university teaching hospitals

The establishment of endowment funds by public universities is expanded to include public university teaching hospitals, effective from YA 2026. Income tax exemption will be given on contributions received and the income generated from the endowment fund, and contributions will be treated as approved donations.



# Tax measures

## 1

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Tax incentive for Food Security Projects

- To strengthen national food security and encourage broader industry participation in agriculture, the Government proposes to rebrand the tax incentive for Food Production Projects as the tax incentive for Food Security Projects, with enhanced focus on domestic market impact.
  - New projects:
    - 100% income tax exemption on statutory income for 10 YAs. The exemption applies only to income generated from domestic sales.
  - Expansion projects:
    - 100% income tax exemption on statutory income for five YAs. The exemption applies only to income generated from domestic sales.
  - The revised incentive will be available for applications received by the Ministry of Agriculture and Food Security from 1 January 2026 to 31 December 2030.

#### Other incentives

- The existing 100% ACA (on the first RM10 million of qualifying capital expenditure) and income tax exemption on qualifying capital expenditure for automation in the agriculture sector will be expanded to include closed-house chicken rearing systems. This applies to applications received by the Ministry of Agriculture and Food Security from 1 January 2026 to 31 December 2027.
- The tax deduction application period for companies investing in subsidiary companies that commercialize non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher education institutions will be extended for five years. Applications must be received by the Malaysia Investment Development Authority (MIDA) from 1 January 2026 to 31 December 2030.
- 100% income tax exemption on incremental income of tour operators from inbound tourism packages in YA 2026 and YA 2027, subject to certain conditions.
- Tax deductions of up to RM500,000 will be allowed for renovation and refurbishment expenses of business premises by tourism operators registered with the Ministry of Tourism, Arts and Culture (MOTAC). Deductions apply for qualifying expenses incurred from 11 October 2025 to 31 December 2027.

# Tax measures

## 2

|            |              |                |            |
|------------|--------------|----------------|------------|
| Businesses | Indirect tax | Individual tax | Stamp duty |
|------------|--------------|----------------|------------|

### Introduction of digital tax stamp mechanism

- The digital tax stamp will be introduced with enhanced security features to combat counterfeit tobacco and alcoholic beverage products, and address revenue leakages at national entry points.
- This initiative will be supported by a Centralized Screening Complex equipped with closed-circuit television (CCTV) surveillance at key entry points, to strengthen monitoring and enforcement at the borders.

### Review of duty and tax treatment on vehicles brought into Langkawi or Labuan

Import duty, excise duty and Sales Tax will be imposed on vehicles with value exceeding RM300,000 imported or brought into Langkawi or Labuan, effective 1 January 2026.

### Extension of excise duty and Sales Tax exemption for eligible taxi and private hire vehicle owners

Full excise duty and Sales Tax exemption will continue to be enjoyed by eligible taxi and private hire vehicle owners for purchase of new PROTON and PERODUA vehicles.

### Increase in excise duty rate on cigarettes

Excise duty on cigarettes will be increased in phases starting 1 November 2025, with an initial hike of RM0.02 per stick or RM0.40 per packet.

| Tariff Code  | Current                        | Proposed                          |
|--------------|--------------------------------|-----------------------------------|
| 2402.20.2000 |                                |                                   |
| 2402.20.9000 | RM0.40 / stick or RM8 / packet | RM0.42 / stick or RM8.40 / packet |
| 2402.90.2000 |                                |                                   |

# Tax measures

## 2

### Businesses

### Indirect tax

### Individual tax

### Stamp duty

#### Increase in excise duty rate on cigars, cheroots and cigarillos

Excise duty on cigars, cheroots and cigarillos will be increased in phases starting 1 November 2025, with an initial hike of RM40 per kg.

| Tariff Code  | Current    | Proposed   |
|--------------|------------|------------|
| 2402.10.0000 | RM400 / kg | RM440 / kg |
| 2402.90.1000 |            |            |

#### Increase in excise duty rate on heated tobacco products

Excise duty on heated tobacco products will be increased in phases starting 1 November 2025, with an initial hike of RM20 per kg of tobacco content.

| Tariff Code  | Current                       | Proposed                      |
|--------------|-------------------------------|-------------------------------|
| 2404.11.0000 | RM778 / kg of tobacco content | RM798 / kg of tobacco content |

#### Extension of import duty and Sales Tax exemption on Nicotine Replacement Therapy (NRT) products

- Import duty and Sales Tax exemption on nicotine gum and nicotine patches will be extended until 31 December 2027.
- Further, the exemption will be expanded to include nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.
- These exemptions apply to applications received by the MoF from 11 October 2025 to 31 December 2027.



# Tax measures

## 2

|            |              |                |            |
|------------|--------------|----------------|------------|
| Businesses | Indirect tax | Individual tax | Stamp duty |
|------------|--------------|----------------|------------|

### Increase in excise duty rates on alcoholic beverages

Excise duty rates on alcoholic beverage products will be increased by 10% effective from 1 November 2025.

| Product Description                                                                    | Tariff Code                                            | Current rates (per 100% vol. per liter) | Expected rates (per 100% vol. per liter) |
|----------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|------------------------------------------|
| Beer                                                                                   | 2203                                                   | RM175.00                                | RM192.50                                 |
| Sparkling wine                                                                         | 2204.10.0000                                           | RM450.00                                | RM495.00                                 |
| Other wine, grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka         | Selected goods under tariff header 2204, 2205 and 2208 | RM150.00                                | RM165.00                                 |
| Cider and perry, sake, shandy, wine (vegetable and fruit juice), other rice wine, etc. | Selected goods under tariff header 2206 and 2208       | RM60.00                                 | RM66.00                                  |
| Samsu (including medicated samsu)                                                      | Selected goods under tariff header 2208                | RM60.00                                 | RM66.00                                  |
| Coconut palm toddy, mead, bitters                                                      | Selected goods under tariff header 2206 and 2208       | RM40.00                                 | RM44.00                                  |
| Undenatured ethyl alcohol                                                              | 2207.10.0000                                           | RM22.50 and 15%                         | RM24.75 and 15%                          |
| Ethyl alcohol and other spirits                                                        | 2207.20                                                | RM1.10 and 15%                          | RM1.21 and 15%                           |

# Tax measures

## 3

| Businesses                                                                | Indirect tax | Individual tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Stamp duty |
|---------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>Partnership distributions from Limited Liability Partnership (LLP)</b> |              | <ul style="list-style-type: none"><li>Income in the form of partnership distributions from LLP(s) received by individual partners exceeding RM100,000 per annum will be subject to tax, effective from YA 2026. This will apply to resident and non-resident individuals.</li><li>The applicable tax rate is 2% on chargeable income from LLP partnership distributions after allowing for deductions and reliefs.</li><li>If the individual also receives other types of income, the chargeable income from LLP partnership distributions shall be determined based on the following formula:<br/><math display="block">A / B \times C = D, \text{ whereby}</math><ul style="list-style-type: none"><li>A = Partnership distributions received from LLP(s) (deemed as statutory income of the partner)</li><li>B = Aggregate income of the partner</li><li>C = Chargeable income of the partner</li><li>D = Chargeable income from LLP partnership distributions</li></ul></li></ul> |            |

### Deductions and reliefs

- The following are all effective from YA 2026, unless stated otherwise.
- A new tax relief of up to RM1,000 will be introduced for entrance fees to tourist attractions, and cultural and art programs. This relief will be applicable for YA 2026 only.
  - The annual tax relief of RM3,000 for fees paid to registered childcare centers or kindergartens for children up to six years of age, will be reviewed as follows:
    - The scope of the tax relief will be expanded to include fees for daily care centers and after-school transit facilities registered with the Department of Social Welfare.
    - The scope of the tax relief will also be expanded to include children up to 12 years of age.
  - The annual tax relief on medical treatment expenses for taxpayer, spouse and children will be reviewed as follows:
    - The scope of the tax relief for expenses incurred for specific vaccinations, limited to RM1,000, will be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health.
    - The RM6,000 annual tax relief for expenses incurred for screening and detection, early intervention programs and ongoing rehabilitation treatment for children with disabilities aged 18 and below, will be increased to RM10,000.

# Tax measures

## 3

Businesses

Indirect tax

Individual tax

Stamp duty

### Deductions and reliefs

- The annual tax relief on life insurance premiums or *takaful* contributions of RM3,000 will be reviewed as follows:
  - The scope of the tax relief will be expanded to include children who are:
    - Aged below 18 and unmarried;
    - Aged 18 and above, unmarried and pursuing tertiary education; or
    - No age limit for unmarried children with disabilities.
  - The above eligibility criteria will also be applied to the annual tax relief on education and medical insurance premiums for children.
- The annual tax relief for purchase, installation, rental and subscription fees for electric vehicle (EV) charging facilities and purchase of household food waste composting machines of RM2,500 will be reviewed as follows:
  - The scope of the tax relief will be expanded to include household food waste grinders and CCTV for home use.
  - The tax relief can be claimed on the above items once in either YA 2026 or YA 2027.
- The scope of approved donations made by individuals to the Trust Account of the Department of Museums Malaysia will be expanded to include cash donations equivalent to the amount of the contribution.
- The scope of approved donations eligible for income tax deduction equivalent to the amount contributed, up to 10% of aggregate income will be reviewed to include:
  - Cash donations to approved anti-corruption education programs organized by CSOs.
  - Cash contributions to the endowment funds established by public university teaching hospitals.

### Employees Provident Fund (EPF)

- The EPF withdrawal limit for the purpose of performing Hajj is increased from RM3,000 to RM10,000.



# Tax measures

4

Businesses

Indirect tax

Individual tax

Stamp duty

## Stamp duty

- Monthly wage threshold for stamp duty exemption on employment contracts will be increased from RM300 to RM3,000. This applies to employment contracts executed from 1 January 2026.
- Stamp duty exemption on instruments of transfer and loan agreements for the purchase of first residential home valued up to RM500,000 by Malaysian citizens will be extended for two years. This applies to sales and purchase agreements executed from 1 January 2026 to 31 December 2027.
- Stamp duty exemption on insurance policies or *takaful* certificates with low annual premium or contribution purchased by individuals or MSMEs will be extended for three years. This applies to insurance policies or *takaful* certificates issued from 1 January 2026 to 31 December 2028.
- Stamp duty exemption on insurance policies or *takaful* certificates for *Perlindungan Tenang* products will be extended for three years. This applies to *Perlindungan Tenang* insurance policies or *takaful* certificates issued from 1 January 2026 to 31 December 2028.
- Stamp duty exemption on contract notes for exchange-traded funds transactions will be extended for three years. This applies to contract notes executed from 1 January 2026 to 31 December 2028.
- Stamp duty exemption on contract notes for buy-side structured warrant transactions will be extended for three years. This applies to buy-side structured warrants executed from 1 January 2026 to 31 December 2028.
- Stamp duty on instruments of transfer of residential property to non-citizen individuals (except Malaysian permanent residents) and foreign companies will be increased from 4% to 8%. This applies to instruments of transfer executed from 1 January 2026.

# Our team

## Global Compliance and Reporting

### Farah Rosley

Malaysia Tax Managing Partner  
farah.rosley@my.ey.com  
+603 7495 8254

### Julian Wong

EY Asean Global Compliance and Reporting Leader and EY Asean Managed Services Leader  
julian.wong@my.ey.com  
+603 7495 8347

### Asaithamby Perumal

Partner  
asaithamby.perumal@my.ey.com  
+603 7495 8248

### Liew Ai Leng

Partner  
ai-leng.liew@my.ey.com  
+603 7495 8308

### Elias Mohammad

Partner  
elias.mohammad@my.ey.com  
+603 7495 8208

### Janelle Lim

Partner  
janelle.lim@my.ey.com  
+603 7495 8380

### Linda Kuang

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

### Mark Liow

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

### Sharmila Sinnasamy

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

### Vanessa Khaw

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

### Ng Chee Shiong

Associate Partner  
(Tax Technology)  
chee.shiong.ng@my.ey.com  
+603 7495 8507

## International Tax and Transaction Services

### 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

### Sockalingam Murugesan

EY ASEAN Transfer Pricing Leader and Malaysia Transfer Pricing Leader  
sockalingam.murugesan@my.ey.com  
+603 7495 8224

### Anil Kumar Puri

Partner  
(International Corporate Tax Advisory)  
anil-kumar.puri@my.ey.com  
+603 7495 8413

### Andrew Loh

Partner  
(International Corporate Tax Advisory)  
andrew.loh@my.ey.com  
+603 7495 8313

### Chua Meng Hui

Partner  
(International Corporate Tax Advisory)  
meng-hui.chua@my.ey.com  
+603 7495 8261

### Sharon Yong

Partner  
(International Corporate Tax Advisory)  
sharon.yong@my.ey.com  
+603 7495 8478

### Florence Tan

Partner  
(International Corporate Tax Advisory)  
florence.tan@my.ey.com  
+603 7495 8585

### Derek Chan

Associate Partner  
(International Corporate Tax Advisory)  
derek.chan@my.ey.com  
+603 7495 8336

### Shalini R. Chandrarajah

Associate Partner  
(International Corporate Tax Advisory)  
shalini.chandrarajah@my.ey.com  
+603 7495 8281

### Gary Ling

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

### Hisham Halim

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

### Vinay Nichani

Partner  
(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

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

### Wong Chow Yang

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

### Chua Siong Chee

Associate Partner  
(Private Tax)  
siong-chee.chua@my.ey.com  
+603 7495 8410

### Anissa Anuar

Associate Partner  
(Private Tax)  
anissa.anuar@my.ey.com  
+603 7495 8487

### Chan Vai Fong

Associate Partner  
(Tax Controversy)  
vai-fong.chan@my.ey.com  
+603 7495 8317

## Indirect Tax

### Farah Rosley

Malaysia Tax Managing Partner  
farah.rosley@my.ey.com  
+603 7495 8254

### Yeoh Cheng Guan

Partner  
cheng-guan.yeoh@my.ey.com  
+603 7495 8408

### Jalbir Singh Riar

Partner  
jalbir.singh-riar@my.ey.com  
+603 7495 8329

### Aaron Bromley

Partner  
aaron.bromley@my.ey.com  
+603 7495 8314

## People Advisory Services Tax

### Tan Lay Keng

Partner  
lay-keng.tan@my.ey.com  
+603 7495 8288

### Christopher Lim

Partner  
christopher.lim@my.ey.com  
+603 7495 8378

### Irene Ang

Partner  
irene.ang@my.ey.com  
+603 7495 8306

### Cynthia Wong

Associate Partner  
cynthia.wong@my.ey.com  
+603 7495 8129

### Jaclyn Tan

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

## Financial Services

### Koh Leh Kien

Partner  
leh-kien.koh@my.ey.com  
+603 7495 8221

### Bernard Yap

Partner  
bernard.yap@my.ey.com  
+603 7495 8291

### Gary Ling

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

# Contacts



**Dato' Abdul Rauf Rashid**

Malaysia Managing Partner,  
Ernst & Young Consulting Sdn. Bhd.

abdul-rauf.rashid@my.ey.com



**Yeo Eng Ping**

EY Asia East Tax Leader,  
Ernst & Young Tax Consultants Sdn. Bhd.

eng-ping.yeo@my.ey.com



**Farah Rosley**

Malaysia Tax Managing Partner,  
Ernst & Young Tax Consultants Sdn. Bhd.

farah.rosley@my.ey.com



**Anil Kumar Puri**

Malaysia International Corporate Tax  
Advisory Leader,  
Ernst & Young Tax Consultants Sdn. Bhd.

anil-kumar.puri@my.ey.com



**Amarjeet Singh**

EY Asean Tax Leader,  
Ernst & Young Tax Consultants Sdn. Bhd.

amarjeet.singh@my.ey.com



**Ismed Darwis**

Malaysia Markets Leader,  
Ernst & Young Consulting Sdn. Bhd.

ismed.darwis@my.ey.com



For more info on EY Tax  
Academy, [click here](#)

## 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](https://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](https://ey.com).

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

APAC no. 07011595  
ED None

This material has been prepared by the Research and Content team 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](https://ey.com)