

AUDIT • TAX • ADVISORY

2026

Budget Highlights



Now, for tomorrow





As the 1st Budget under the 13th Malaysia Plan, this Budget was unique in some respects. Firstly, we note that the focus was on giving back to the Rakyat by addressing wastage, leakage and corruption that had eroded public trust and confidence over the years. Secondly, through fiscal prudence, more has been earmarked for the lesser unfortunate to alleviate hardship, be it through subsidy rationalisation or direct aid and assistance through the STR and SARA programs.

We note that no new taxes were introduced, whilst targeted and selective incentives were proposed for several sectors, namely tourism, food production, healthcare, etc. More we feel could have been done for the micro, small and medium enterprises and we hope that this can be focused on moving forward.

Overall, a mildly expansionary Budget, with a unique approach of involving the GLIC's and GLC's in undertaking public expenditure to boost investments in key areas. We laud this move.

Andrew Heng
Group Managing Partner
Baker Tilly Malaysia



The 'heavy-lifting' in terms of new taxes as well as the expansion of the SST and Stamp Duty regimes over the last year is largely done and dusted. This paved the way for a more caring and people-friendly Budget that seeks to further reduce the fiscal deficit, whilst maintaining delivery of government programs aimed at moving the nation forward on technology and digitalisation.

We look forward to more details on the ASEAN Business Entity status and other related strategic sector schemes aimed at attracting investments as well as talent. It is good to note the Single Family Office Scheme is already showing positive early signs and commitments.

Finally, we note the efforts in enforcement and recovery, and as much as this should be applicable to errant taxpayers, syndicates and other 'wrong-doers', I would also like the Government to take the correct approach in building respect, trust, accountability and transparency with the 'good-doers'. With the introduction of E-Invoicing and expansion of the self-assessment regime, the tax authorities will need to adopt a new approach to tax administration that is progressive, business-friendly and matured in its outlook. This will greatly assist in attracting foreign and domestic investment in the longer term and position Malaysia as a great destination to do business in.

Anand Chelliah

Managing Partner, Tax Services
Baker Tilly Malaysia

Pertinent Tax Measures

The 2026 Budget was announced on 10 October 2025 by the Prime Minister Dato' Seri Anwar Ibrahim who is also the Honourable Finance Minister. Some of the notable tax measures observed are as follows:



Carbon Tax will be introduced starting from year 2026, with an initial focus on the iron, steel, and energy sectors. To ensure effective implementation, the tax mechanism will be aligned with the National Carbon Market Policy and the forthcoming Climate Change Act, which is currently being drafted.



Profit distributions from LLPs to individual partners (residents and non-residents) will be taxable if they exceed RM100,000 per year. A 2% tax rate applies to the chargeable income after deductions.



Companies using MyHIJAU Mark-certified green technology products for their own operations are eligible for a 100% Green Investment Tax Allowance



Personal Income Tax



Tax relief for entrance fees to local tourist attractions and cultural programs up to RM1,000 is provided to encourage domestic tourism.

Effective from YA 2026



Tax relief of up to RM2,500 for sustainable living has been expanded to include household food waste shredders and home CCTV systems, in addition to EV charging facilities and composting machines. Claims for shredders and CCTV are allowed once within a two-year assessment period.

Effective for YA 2026 and YA 2027



Tax relief for early intervention and therapy for disabled children has been increased from RM6,000 to RM10,000 to support families with children under 18 who require ongoing care and developmental support.

Effective from YA 2026



Personal Income Tax



Tax relief for vaccinations is expanded to cover all vaccines approved by the Ministry of Health to support broader access to preventive healthcare.

Effective from YA 2026



Tax relief of up to RM3,000 for life insurance and takaful contributions previously limited to premiums paid for self or spouse has now been expanded to include children, to encourage parents to secure financial protection for their children.

Effective from YA 2026



Tax relief for childcare expenses is expanded to include fees paid to registered daycare and transit centres for children up to 12 years old, with a maximum claim of RM3,000.

Effective from YA 2026



Corporate Income Tax Incentives



Tax deduction of up to RM500,000 is provided for renovation and refurbishment of business premises by tourism project operators, to support the revitalisation of tourism infrastructure. For qualifying expenditure incurred from 11 October 2025 to 31 December 2027

Extended further tax deduction for employers hiring senior citizens from YA 2026 to 2030, to support active ageing and financial independence.



Additional 50% tax deduction is provided to SMEs for expenses on certified training related to Artificial Intelligence (AI) and cybersecurity, as recognised by the MyMahir National AI Council for Industry (NAICI).

For applications received by TalentCorp
from 1 January 2026 to 31 December 2027



Accelerated Capital Allowance (ACA) up to RM4,000 per unit for Speed Limitation Devices installed on eligible heavy vehicles from 1 January to 31 December 2026, subject to certification and vehicle criteria.



Tax exemption on foreign dividends and gains from the disposal of capital assets abroad will be extended to resident companies, LLPs, cooperatives, trust bodies, and unit trusts for four years.

Effective from 1 January 2027 to 31 December 2030.



Accelerated Capital Allowance (ACA) for qualifying capital expenditures, such as heavy machinery, ICT equipment, and software-related costs, is given to promote domestic investment and digital adoption. The ACA is fully claimable within 2 years, for expenses incurred from 11 October 2025 to 31 December 2026.



Extension/Expansion of Current Corporate Income Tax Incentives



Double tax deduction extended to companies sponsoring training for care workers, as recognised by the Ministry of Women, Family and Community Development (KPWKM).

Effective for YA 2026 and 2027.

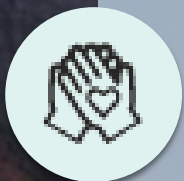


Extended double tax deduction for companies providing scholarships, with expanded scope to include professional certification courses and students from households earning up to RM15,000 per month.

Effective from YA 2026 to 2030



Extension of income tax exemption for food production projects: Companies undertaking new food production projects are eligible for a 100% income tax exemption for 10 years, while those expanding existing projects can benefit from a 5-year exemption.



The application period for these incentives has been extended until the end of 2030, supporting Malaysia's long-term goals for food security and agricultural development.



Extended tax deduction for companies investing in subsidiaries that commercialise non-resource-based R&D findings from public and private higher learning institutions and public research bodies.

Effective for applications submitted to MIDA from 1 January 2026 to 31 December 2030.



Extension/Expansion of Current Corporate Income Tax Incentives

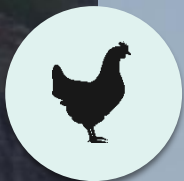


Extended venture capital tax incentives for 10 years via special tax and dividend exemptions.

Effective from the YA 2025



Extended income tax exemption for social enterprises until 2028.



Extended automation tax incentive to include closed-house livestock farming systems, promoting modernisation and efficiency in agriculture.

For applications submitted to KPKM from 1 January 2026 to 31 December 2027.



Extended application period for income tax exemption for social enterprises be given to support job creation, social entrepreneurship, and reduced reliance on government aid.

Extended from 1 January 2026 to 31 December 2028



Extension/Expansion of Current Corporate Income Tax Incentives



Extended tax incentive for hiring vulnerable groups, including prisoners released on license and individuals undergoing drug rehabilitation, in support of equal employment opportunities.

Extended from YA 2026 to 2030



Tax deduction of RM1.5 million on listing expenses be expanded to MSMEs in the energy and utilities sectors, and technology-based companies as well as MSMEs in the technology, energy, and utilities sectors.

For YA 2026 to 2030



100% tax exemption is extended for tour operators on incremental income from inbound tourism packages, to support Visit Malaysia Year 2026, subject to bringing in at least 1,000 foreign tourists annually.

Effective for YA 2026 and 2027



100% tax exemption is extended for MICE organisers verified by MOTAC, subject to bringing in 1,500 foreign participants for incentive trips, 2,000 for conferences, or 3,000 for trade exhibitions.

Effective for YA 2026 and 2027



Stamp Duty



Stamp duty increased from 4% to 8% on property transfers by non-citizens and foreign companies, excluding permanent residents .

Effective from 1 January 2026.



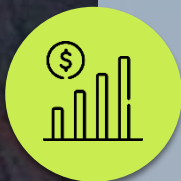
Stamp duty exemption for first-time home purchases for homes costing up to RM500,000 extended until 31 December 2027.



Stamp duty exemption for Perlindungan Tenang insurance products and small-value insurance policies extended for individuals and MSMEs until 2028



Stamp duty on buy-side structured warrant transactions will be exempted from 1 January 2026 to 31 December 2028



Stamp duty exemption on contract notes for Exchange Traded Funds transactions will be extended from 1 January 2026 to 31 December 2028



Increased wage threshold for stamp duty exemption on employment contracts from RM300 to RM3,000 aimed at reducing the cost of doing business and encouraging employment.

Effective 1 January 2026

Baker Tilly

TAX & BUDGET SEMINAR

SEMINAR FEE: RM480



24 October 2025



9.00am–1.00pm



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Disclaimer:

The information contained in this document is based on current taxation laws and other related legislation, including proposals and measures contained in the 2026 Malaysian Budget announcement on 10 October 2025. Every effort has been made to ensure that the information contained in this leaflet is accurate and based upon our understanding and interpretation of the relevant information obtained from the Budget 2026 Speech, Appendices and relevant sources, and is subject to the issuance of the impending Finance Bill.

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