

AUDIT • TAX • ADVISORY

2027

Budget Highlights

Now, for tomorrow





Budget 2027 strikes a balance between supporting near-term economic needs and strengthening Malaysia's resilience and competitiveness amid a challenging global environment and mounting economic pressures. In my view, the Government has rightly placed emphasis on two key priorities: supporting local micro, small and medium enterprises (MSMEs) and investing in infrastructure and capabilities to attract higher-value industries, advanced technologies and quality investments.

At the same time, the Budget continues to address the needs of lower- and middle-income households, vulnerable communities and rural areas. Balancing these social priorities with the need to sustain economic growth and strengthen the nation's fiscal position is no easy task. As Malaysia continues its fiscal consolidation efforts, it will be important to maintain momentum in private investment, improve productivity, strengthen governance and combat corruption.

Ultimately, the success of Budget 2027 will depend not only on the measures announced, but also on their effective implementation and their ability to translate into meaningful outcomes for businesses, communities and the wider economy. With a continued focus on resilience, competitiveness and inclusive growth, Malaysia can work towards achieving its longer-term economic ambitions.

Andrew Heng

Group Managing Partner
Baker Tilly (Malaysia)



Malaysia's fiscal outlook remains a key consideration in Budget 2027. Despite ongoing economic pressures and the substantial cost of fuel subsidies, the Government is targeting a reduction in the fiscal deficit from 3.6% of gross domestic product (GDP) in 2026 to 3.3% in 2027. This reflects the continued effort to strengthen public finances while supporting economic activity. Malaysia's export performance and its ability to attract domestic and foreign investment will remain important contributors to its economic resilience.

One of the notable aspects of Budget 2027 is its continued emphasis on supporting MSMEs, recognising their significant contribution to the economy and their role in generating employment and sustaining business activity. While the Budget introduces relatively few new tax incentives, it signals continued support for investment in artificial intelligence, high-technology industries and green technologies. Adjustments to selected MSME and individual income tax rates and reliefs also provide some targeted support, although businesses and taxpayers will need to review the detailed provisions as further guidance becomes available.

One observation that is worth noting is that an eagerly anticipated announcement on a potential fine-tuning of the Service Tax regime was not present. This hopefully will be taken into consideration in due course.

Overall, Budget 2027 seeks to balance fiscal discipline with the need to support businesses, households and future economic growth. In a challenging environment, the priority will be to ensure that the measures announced deliver practical benefits, encourage productive investment and strengthen Malaysia's competitiveness. As the detailed tax measures are clarified, businesses should assess the implications for their operations, investment plans and tax positions to make informed decisions in the year ahead.

Anand Chelliah

Managing Partner, Tax Services
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Pertinent Tax Measures

The 2027 Budget was announced on 9 October 2026 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:

Personal Tax

- Income tax rates reduction for resident individuals with chargeable income band of RM70,001 to RM100,000 (from 19% to 18%) and chargeable income band of RM100,001 to RM150,000 (from 25% to 24%)
- Revised tax rate of 30% for chargeable income band exceeding RM1,000,000.
- Individual personal tax relief increased from RM9,000 to RM12,000
- Effective from Year of Assessment 2027

Corporate Tax

- Income tax rates reduction for Micro, Small and Medium Enterprises (MSME) on their first RM150,000 of chargeable income (from 15% to 14%) and on their next RM150,001 to RM600,00 of chargeable income (from 17% to 16%)
- Effective from Year of Assessment 2027

Corporate Tax Incentives

- Global Services Hub companies enjoy a preferential corporate tax rate of 5% on qualifying income for up to 30 years (renewable every 5 years), subject to conditions. Applicable to applications received by MIDA from 1 January 2027.
- Full income tax exemption for Malaysian shipping companies extended from Years of Assessment 2027 to 2036



Personal Income Tax



Income Tax Rates for Resident Individual

- Reduction of 1% for chargeable income band of RM70,001 to RM100,000 (from 19% to 18%)
- Reduction of 1% for a new chargeable income band of RM100,001 to RM150,000 (from 25% to 24%)
- Chargeable income band exceeding RM1,000,000 subject to tax rate of 30%.

Effective from Year of Assessment 2027



Individual personal tax relief be increased from RM9,000 to RM12,000

Effective from Year of Assessment 2027



Tax relief for expenses for parents and grandparents of RM8,000

Scope of relief be expanded to cover all types of care expenses and not limited to medical care.

Effective from Year of Assessment 2027



Tax relief for education of RM7,000 be expanded to include fees incurred for:

- Self to obtain Certificate, Diploma, Bachelor, Masters or Doctor of Philosophy level in any field at any local institution or professional body in Malaysia recognised by the Government of Malaysia or approved by the Minister of Finance;
- Self or spouse limited to RM 3,000 to undertake upskilling or self-enhancement courses or studies in the field of Technical and Vocational Education and Training (TVET) recognized by the Director General of Skills Development;
- Courses, training and skills and self-enhancement classes unrelated to employment for self or spouse , or for courses, training, classes or tuition in the field of Science, Technology, Engineering and Mathematics (STEM), arts, languages and religion for children (limited to RM 2,000)

Effective from Year of Assessment 2027



Personal Income Tax



Tax relief for lifestyle of RM2,500 be expanded to include:

- Subscription of Artificial Intelligence (AI) software and applications for personal use, spouse or child
- Cost of pet adoption from registered animal shelters
- Registered veterinary services for vaccination and spaying or neutering procedures

Effective from Year of Assessment 2027



Tax relief for domestic tourism of up to RM1,000

Extended to Year of Assessment 2027



Tax relief for Contribution to the Social Security Organisation (SOCSO)

- Scope of relief be expanded to cover mandatory employee contributions to the Self-Employment Social Security Scheme (Lindung Kendiri) – tax relief remains at RM350.
- Additional tax relief limited to RM150 be given on a voluntary employee contributions to the Non-Employment injury scheme (Lindung 24)

Effective from Year of Assessment 2027



Tax relief for medical expenses of RM10,000

Scope of relief be expanded to cover the medical expenses for post-natal care service expenses provided by a confinement centre or qualified individual (limited to RM3,000) and breastfeeding equipment for children aged 2 years and below paid by self or spouse (limited to RM2,000).

Effective from Year of Assessment 2027



Tax relief for sports-related lifestyle of RM1,000

Scope of relief be expanded to include the purchase of sport shoes limited to RM300.

Effective from Year of Assessment 2027



Corporate Income Tax



Income tax rate for Micro, Small and Medium Enterprises (MSME) reduced:

- from 15% to 14% on the first RM150,000 of chargeable income
- from 17% to 16% on the next RM150,001 to RM600,00 of chargeable income

Effective from Year of Assessment 2027



Special Allowance for Small Value Assets (SVA)

- The claimable amount by MSME for each SVA is increased from RM2,000 to RM3,000 without any limit for overall annual claim
- The overall limit of SVA claimable by non-MSME is increased from RM20,000 to RM30,000

Effective from Year of Assessment 2027



Income tax exemption of a resident company providing Shariah-compliant fund management services to be fixed at 40% on statutory income

Extended for 3 years from Year of Assessment 2028 until 2030



Income tax exemption on the issuance cost of Sukuk Prisma approved by Securities Commission

Effective from Year of Assessment 2027 until 2030



Corporate Income Tax Incentives



Global Services Hub companies enjoy a preferential corporate tax rate of 5% on qualifying income for up to 30 years (renewable every 5 years), subject to conditions. For existing companies, the 5% rate applies only to income exceeding the base income.

Additional withholding tax and stamp duty exemptions are granted for qualifying treasury fund management activities, including under the Johor-Singapore Special Economic Zone (JS-SEZ) incentive package.

Applicable to applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2027.



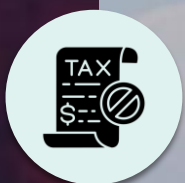
100% Income tax exemption for **Malaysian shipping companies**

Effective from Years of assessment 2027 to 2036



Green Investment Tax Allowance (GITA) incentive

- GITA project (business purposes) expanded to include Ocean Thermal Energy Conversion for application received by MIDA from 1 January 2027 to 31 December 2030
- GITA assets (Own consumption) for prescribed list of qualifying assets approved by Finance Minister and verified by the Malaysian Green Technology and Climate Change Corporation (MGTC) from 1 January 2027 to 31 December 2030



Income tax exemption for **individual investors** at aggregate income level (equivalent to 50% of investment amount subject to certain conditions) in start-up companies and Micro Small and Medium Enterprises (MSME) through Equity Crowdfunding

Effective for investment made from 1 January 2027 to 31 December 2030



Corporate Income Tax Incentives



Income tax exemption for **individual Angel investors** at aggregate income level equivalent to the amount of investment made in the technology start-up companies

Effective for investment made from 1 January 2027 to 31 December 2030



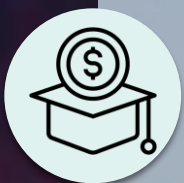
Accelerated Capital Allowance (Initial Allowance: 20% and Annual Allowance: 40%) on capital expenditure for plant, machinery and ICT equipment extended for 4 years

Eligible for qualifying expenditure incurred from
1 January 2027 until 31 December 2030



100% income tax exemption on the statutory income of the **Organisers for international trade exhibitions or conferences** in Malaysia

Extended from Year of Assessment 2028 until Year of Assessment 2030



Tax deduction for **repayment of national higher education fund corporation (PTPTN)** loan by employers on behalf of employees for 2 years subject to conditions

From 1 January 2027 until 31 December 2028



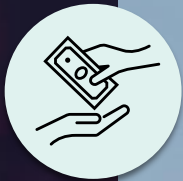
Stamp Duty



Full stamp duty exemption on loan agreements and instruments of transfer **for first residential homes** priced up to RM500,000.

For first residential homes priced above RM500,000 and up to RM750,000, full exemption applies to the first RM500,000 of the home price and a 50% exemption applies to the balance.

Effective for sale and purchase agreements executed from 1 January 2027 to 31 December 2030.



Full stamp duty exemption will be reintroduced on loan agreements and instruments of transfer executed by **rescue contractors or developers and original buyers in relation to the revival of abandoned housing projects** certified by the Ministry of Housing and Local Government.

Effective for loan agreements and instruments of transfer executed from 1 January 2027 to 31 December 2030.



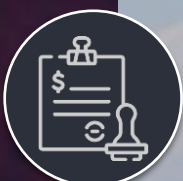
Full stamp duty exemption on the **opening of savings accounts and current accounts.**

Effective from 1 January 2027.



Stamp duty on **foreign-currency loan or financing agreements from banks in Malaysia** will be capped at RM2,000 for financing up to RM100 million and RM5,000 for financing exceeding RM100 million.

Effective for loan or financing agreements executed from 1 January 2027



Stamp duty exceeding RM10 will be remitted on principal loan or financing agreements under the **CAKNA Scheme**. For CAKNA I, the remission will be extended; for CAKNA II, the remission will be reintroduced.

Effective for CAKNA I agreements executed from 1 January 2029 to 31 December 2030, and CAKNA II agreements from 1 January 2027 to 31 December 2030.



Stamp Duty



Stamp duty exceeding RM10 be remitted on **loan or financing agreements executed between MSMEs and investors** through Peer-to-Peer (P2P) platforms.

Effective for agreements executed from
1 January 2027 to 31 December 2030.



Stamp duty in excess of RM10 be remitted on **second-tier agreements between mid-tier companies and financial institutions** for excess credit facilities provided to MSME suppliers, subject to the prescribed conditions. Stamp duty on first-tier agreements remains at 0.5%.

Effective for second-tier agreements executed from
1 January 2027 to 31 December 2030.



Full stamp duty exemption will be given on intercompany foreign-currency loan agreements **for Global Services Hub** companies undertaking Treasury Fund Management activities specifically for cash pooling via onshore intermediaries. The incentive is also extended to the JS-SEZ incentive package.

Effective for applications received by MIDA from 1 January 2027.



Stamp duty on loan or **financing agreements for the purchase or construction of Malaysian ships** will be capped at RM2,000 for financing up to RM100 million and RM5,000 for financing exceeding RM100 million.

Effective for loan or financing agreements executed from 1 January 2027.



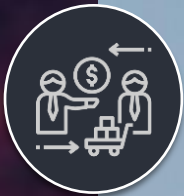
Sales Tax and Service Tax (SST)



Service tax treatment on elderly care services

- Registered elderly care centre providers will be exempted on annual care fees up to RM96,000 per person
- Annual care fees exceeding RM96,000 per person will be subject to service tax at 6%

Effective from 1 January 2027



Sales tax refund to local traders or distributors

Sales tax refund be given for sales tax paid on machinery, spare parts and equipment, and specified inputs supplied to eligible manufacturers.

Effective from 1 January 2027



TAX & BUDGET SEMINAR

 Thursday, 22 October 2026

 1.30 pm – 4.30 pm

 Auditorium, Level 26, Menara AFFIN @ TRX

Register Now!

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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 2027 Malaysian Budget announcement on 9 October 2026. 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 2027 Speech, Appendices and relevant sources, and is subject to the issuance of the impending Finance Bill.

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