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BUDGET 2027

TAX HIGHLIGHTS

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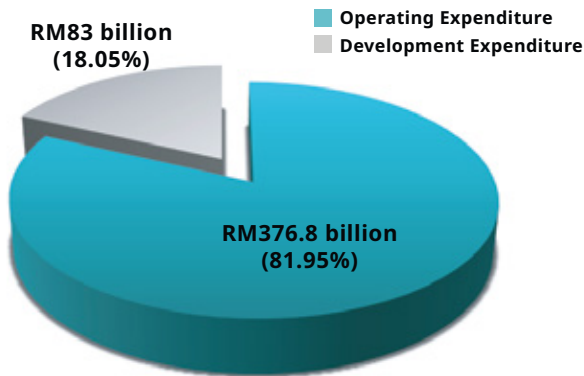
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Budget 2027: Executive Summary

Economic Outlook

Key Economic Indicators



Budget 2027 Allocation RM 459.8 billion

PROJECTED REVENUE
RM380.80 billion
RM363.6 billion in 2026
FISCAL DEFICIT
3.3%
3.6% in 2026
GDP GROWTH
4.2% - 5.2%
4.8% to 5.3% in 2026
APPROVED INVESTMENTS
RM218.5 billion
(2026 1st half)
INFLATION RATE
1.8% to 2.8%
1.3% to 2% in 2026



Budget 2027 balances fiscal discipline with targeted, growth-oriented measures to strengthen Malaysia's competitiveness, attract quality investment and support business transformation.

For businesses, the message is clear: Malaysia remains committed to fostering an environment that supports investment, innovation and sustainable long-term growth.

Budget 2027 goes beyond tax savings. It seeks to stimulate investment, accelerate digital transformation, strengthen governance and advance sustainable economic growth.



Key Takeaways

1. Investment and expansion remain key priorities

Budget 2027 reinforces Malaysia's investment-led growth agenda through enhanced capital allowances, a review of the reinvestment allowance, improvements to the GSH framework and targeted sector-specific incentives. Businesses pursuing expansion, digitalisation or regionalisation should assess how these measures may support their growth plans.

Actions for businesses:

-  Review planned capital expenditure and assess eligibility for enhanced capital allowances and ACA.
-  Evaluate opportunities to establish or expand regional services, treasury or shared-services functions in Malaysia.
-  Revisit the timing of major investment projects to maximise available tax incentives.
-  Undertake an incentive-mapping / assessment exercise before committing to significant investments.

2. MSMEs receive meaningful support, but eligibility matters

The reduction in MSMEs income tax rates offers potential tax savings and cash-flow support. However, access to the preferential rates remains subject to the relevant eligibility conditions.

Actions for businesses:

-  Confirm eligibility for the preferential MSMEs income tax rates against all relevant conditions.
-  Review corporate structures, shareholding arrangements and group relationships for potential eligibility implications.
-  Update tax forecasts and instalment estimates for 2027 to reflect the proposed rates.
-  Consider reinvesting tax savings towards business growth, technology adoption and workforce development.

3. Tax governance and compliance are becoming increasingly important

Budget 2027 introduces measures that link tax deductibility closely to regulatory compliance. Notably, the proposed restriction of salary deductions to payments made through financial institutions or approved cashless channels. This signals a broader shift towards stronger tax governance, payment traceability and documentation requirements.

Actions for businesses:

-  Review employment contracts, payroll policies and supporting records for consistency with the proposed requirements.
-  Identify and remediate any cash-based salary payment arrangements.
-  Assess whether existing tax governance framework and supporting documentation are robust enough to withstand greater scrutiny from the tax authorities.
-  Conduct periodic tax health checks to identify and address potential compliance risks.

4. Future-ready capabilities are a national priority

Budget 2027 signals the Government's focus on building a future-ready economy through talent mobility, digital capability and sustainable business transformation. Measures supporting green investments and the attraction of highly skilled professionals indicate where future policy support and incentives are likely to be concentrated.

Actions for businesses:

-  Review workforce development and talent retention programmes.
-  Assess opportunities to incorporate sustainability and ESG initiatives into business and investment plans.
-  Evaluate whether planned green and sustainable investments qualify for available incentives.
-  Assess how global talent and mobility programmes can support regional expansion and capability building.



Bottom Line

Budget 2027 strengthens Malaysia's proposition as an investment destination and regional business hub.

Businesses that assess the measures early, reinforce their governance frameworks and align investment plans with national priorities such as digitalisation, sustainability and talent development will be best positioned to capture the available opportunities.



Belanjawan 2027
**MALAYSIA
MADANI**

1.0

Corporate Tax and Tax Incentives

1.0 Corporate Tax and Tax Incentives

1.1 REVIEW OF INCOME TAX RATES FOR MSMEs

It is proposed that the income tax rates for MSMEs (*) be **reduced** as follows:

Chargeable income	Current tax rate (%)	Proposed tax rate (%)	Maximum tax savings (RM)
First RM150,000	15	14	1,500
RM150,000 to RM600,000	17	16	4,500
Exceeding RM600,000	24	24	-
Total			6,000

(*) MSMEs refer to companies with paid-up capital (or Limited Liability Partnership with partnership capital contributions) not exceeding RM2.5 million and gross income from business source(s) not exceeding RM50 million.



Effective Date: YA 2027



RKT Comments

Meeting the paid-up capital and sales threshold alone does not automatically qualify for the preferential MSME tax rates. Eligibility should be assessed holistically, particularly where there are corporate shareholders, related-party relationships, group structures or recent changes in ownership.

Businesses that intend to apply the reduced tax rates should confirm their eligibility before doing so. Where eligible, taxpayers may wish to revisit their 2027 tax forecasts and instalment estimates to reflect the expected tax savings and optimise cash flow management.

1.2 REVIEW OF CAPITAL ALLOWANCE FOR SVAs

Currently, capital allowance for SVAs not exceeding RM2,000 per asset is eligible for annual allowance of 100% and limited to RM20,000 for each YA. MSMEs are eligible to annual allowance of 100% on SVAs without an overall annual limit.

It is proposed that the capital allowance treatment for SVAs be **revised** as follows:

- The value of each SVA for claiming capital allowance be **increased** from RM2,000 to **RM3,000**; and
- The overall capital allowance limit for SVAs claimable by companies other than MSMEs be **increased** from RM20,000 to **RM30,000** for each YA.



Effective Date: YA 2027



1.3 EXTENSION OF ACA ON CAPITAL EXPENDITURE FOR PLANT, MACHINERY AND ICT EQUIPMENT

Currently, ACA with initial allowance of 20% and annual allowance of 40% is given on the following qualifying capital expenditure incurred from 11 October 2025 to 31 December 2026:

- i. Procurement of heavy machinery from local manufacturers;
- ii. Procurement of plant and general machinery from local manufacturers;
- iii. Purchase of ICT equipment and computer software package; and
- iv. Consultation, licensing and incidental fees related to the development of customised computer software.

It is proposed that the above ACA incentive be **extended** for 4 years.



Effective Date: For qualifying capital expenditure incurred from 1 January 2027 to 31 December 2030

1.4 REINVESTMENT ALLOWANCE UNDER REVIEW

The reinvestment allowance framework is currently being reviewed, including its eligibility criteria and incentive mechanism to ensure that the incentive is more targeted and enhances industry competitiveness.



Effective Date: To be announced



RKT Comments

The review signals the Government's intention to further refine and strengthen Malaysia's investment incentive framework. While details have yet to be released, the review is expected to focus on ensuring that the incentive remains aligned with national priorities and continue to support high-value and productivity-enhancing investments.

Businesses with planned expansion or capital investment programmes should monitor upcoming announcements and assess the potential implications for future investment strategies.

1.5 INCOME TAX DEDUCTION FOR SALARY PAYMENTS THROUGH FINANCIAL INSTITUTIONS AND CASHLESS PAYMENT INSTRUMENTS

Currently, salary expenses incurred wholly and exclusively in the production of gross income are deductible under Section 33 of MITA, regardless of whether the payments are made in cash, non-cash or through any other method of payment.

It is proposed that the tax deductions on salary expenses are **allowed** only for payments made through financial institutions or cashless payment instruments, in accordance with the Employment Act 1955, except for salary payments made by MSMEs. This condition will not apply to expenses other than salary expenses.



Effective Date: YA 2028



RKT Comments

This is a notable compliance measure that directly links the tax deductibility of a core business expense to the method of payment. The proposal reflects the Government's broader focus on strengthening tax governance, enhancing transaction traceability and encouraging greater payroll transparency. Employers that continue to make salary payments in cash may face challenges in supporting the deductibility of such expenses once the measure takes effect.

Businesses should:

- Identify employees who are currently paid wholly or partially in cash;
- Transition salary payments to approved channels;
- Review employment contracts, payroll policies and internal procedures to ensure alignment with the proposed requirements; and
- Establish a robust documentary trail supporting each payment.

1.6 TAX DEDUCTION FOR REPAYMENT OF NATIONAL HIGHER EDUCATION FUND (PTPTN) CORPORATION LOAN BY EMPLOYERS ON BEHALF OF EMPLOYEES

It is proposed that the tax deduction be **given** on PTPTN loan repayments made by the employers on behalf of their employees for 2 years, subject to the following conditions:

- The employer shall not impose any payment to the employee as a consideration for the PTPTN loan made by the employer;
- The employee must be a full-time employee; and
- The employee must not be the owner of the business or have family ties with the employer.



Effective Date: For repayments made by employers from 1 January 2027 to 31 December 2028



RKT Comments

This measure reflects the Government's continued focus on talent development and workforce sustainability. By providing a tax incentive for employer-sponsored PTPTN repayments, the proposal offers businesses an opportunity to enhance their employee value proposition while supporting the financial well-being of their workforce.

Proper governance and documentation will be essential to substantiate the deduction and ensure compliance with the incentive conditions.

1.7 REVIEW OF TAX INCENTIVE FOR GSH

Currently, GSH tax incentive is provided to companies establishing Malaysia as a hub for high-value services such as managing, controlling and supporting key business functions with the following tax incentives:

Corporate income tax	Individual income tax	Application received by MIDA
Tax rate of 5% or 10% determined through outcome-based approach	15% for 3 consecutive YAs for up to 3 non-citizen individuals employed in C-Suite positions	From 14 October 2023 to 31 December 2027

It is proposed that GSH tax incentives be **reviewed** as follows:

Subject	New Company (has not undertaken GSH or PH activities)	Existing Company (has approved GSH or PH status and will undertake additional new services when applying for an extension)	
	GSH income	≤ Base Income *	> Base Income
Tax rate	5%	15%	5%
		* Base income represents average income for the last three years	
Incentive Period	Every 5 years, up to a maximum of 30 years. (subject to company performance or commitments in the preceding and subsequent incentive periods).		
Qualifying Services	a. Regional Profit & Loss / Business Management Unit; b. Strategic business planning; and c. Corporate development.		
Additional Services	Must undertake at least 2 qualifying activities from the following service categories: a. Strategic services; or b. Business services TFM; or c. Shared services.		
Exempted Income	a. Service income; or b. Service and trading income; and c. TFM activity income as prescribed by the MOF.		
TFM	GSH company undertaking TFM activities specifically for cash pooling through onshore intermediaries are eligible for: a. Withholding tax exemption on interest paid to non-residents; and b. 100% stamp duty exemption on foreign currency loan agreements between companies. Both exemptions also expanded to JS-SEZ incentive package.		



Effective date: For application received by MIDA from 1 January 2027



RKT Comments

The enhanced GSH framework strengthens Malaysia's competitiveness against other regional hub jurisdictions and provides a more attractive platform for multinational groups undertaking shared services, headquarters and treasury functions.

1.8 REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE

Currently, companies undertaking green activities are **eligible** for the following Green Technology Tax Incentives:

i. GITA project (business purposes)

Tier	Qualifying Activity	GITA (%)	SI to be set-off (%)	Incentive Period
1	Green hydrogen	100	100 or 70	5 + 5 years
2	a. Integrated waste management b. EV charging station	100	100	5 years
3	a. Biomass b. Biogas c. Mini hydro d. Geothermal e. Solar f. Wind energy	100	70	5 years

The tax incentive is effective for applications received by the MIDA from 1 January 2024 to 31 December 2026.

ii. GITA assets (own consumption)

Tier	Qualifying Activity	GITA (%)	SI to be set-off (%)	Incentive Period
1	a. List of qualifying assets approved by MOF b. BESS c. Green building	100	70	Qualifying GITA assets verified by the MGTC and purchased from 1 January 2024 to 31 December 2026
2	a. List of qualifying assets approved by MOF b. Renewable energy system c. Energy efficiency	60	70	

iii. GITE solar system leasing

Tier	Tax Exemption on SI (%)	Incentive Period
>3MW – ≤10MW	70	5 years
>10MW – ≤30MW		10 years

The tax incentive is effective for applications received by MIDA from 1 January 2024 to 31 December 2026.

It is proposed that the Green Technology Tax Incentive be **reviewed** as follows:

i. GITA project (business purposes)

Tier	Qualifying Activity	GITA (%)	SI to be set-off (%)	Incentive Period
1	a. Green hydrogen b. Ocean thermal energy conversion	100	100 or 70	5 + 5 years
2	a. EV charging station b. Renewable energy system (biomass, biogas, mini hydro, geothermal, wind energy)	60	70	5 years

ii. GITA assets (own consumption)

Tier	Qualifying Activity	GITA (%)	SI to be set-off (%)
1	a. List of qualifying assets approved by MOF: 1. Bus, van, panel MPV, movers, terminal tractor, forklift, lorry / light truck, lorry and heavy vehicle (including prime mover) 2. EV infrastructure (locally produced) 3. Waste composting and recycling system (locally produced) 4. Wastewater recycling and rainwater harvesting system (locally produced) b. Renewable energy integrated system (biomass, biogas, mini hydro, solar, geothermal, wind energy) + BESS / Energy storage system	100	70
2	a. List of qualifying assets approved by MOF: 1. EV infrastructure 2. Waste composting and recycling system 3. Wastewater recycling and rainwater harvesting system b. Renewable energy system (biomass, biogas, mini hydro, geothermal, wind energy)	60	70

An application is required to be submitted to MGTC within 24 months from the date of purchase of the qualifying GITA asset.



Effective Date:

Tax Incentive	Application Period
GITA project	For applications received by MIDA from 1 January 2027 to 31 December 2030
GITA assets	For the purchase of qualifying green technology assets verified by MGTC from 1 January 2027 to 31 December 2030



RKT Comments

The extension provides welcome certainty for long-term investments in sustainability and renewable energy. Businesses embarking on ESG initiatives should revisit the availability of these incentives during project planning.

1.9 INCOME TAX DEDUCTION ON RELOCATION COSTS FOR AUTOMOTIVE VENDORS

It is proposed that a tax deduction of up to RM5 million be **given** on qualifying relocation costs incurred by wholly locally-owned automotive vendors relocating their operations to the Automotive Hi-Tech Valley in Tanjong Malim, Perak.



Effective Date: For qualifying relocation costs incurred from 1 January 2027 to 31 December 2030

1.10 EXTENSION OF TAX INCENTIVES FOR ORGANISING INTERNATIONAL INCENTIVE TRIPS, CONFERENCES AND TRADE EXHIBITIONS

Currently, companies, associations or organisations that organise international incentive trips, conferences or trade exhibitions certified by the MOTAC are **given** income tax exemption of 100% on SI for YAs 2026 and 2027, subject to meeting the following minimum annual numbers of foreign participants:



1,500
incentive
trips



2,000
conferences



3,000
trade
exhibitions

It is proposed that the above tax incentives be extended for 3 years.



Effective Date: YAs 2028 to 2030

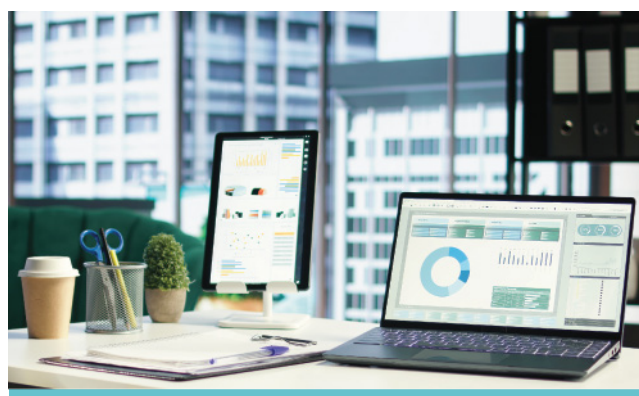
1.11 EXTENSION OF TAX INCENTIVE FOR ANGEL INVESTORS

Currently, angel investors in technology start-up companies at the pre-seed and seed stage that invest in ordinary shares are eligible for tax exemption at the individual aggregate income equivalent to the amount of investment made in the technology start-up companies. The tax incentive is effective for investments made from 1 January 2013 to 31 December 2026.

It is proposed that the tax incentive for angel investors be **extended** for 4 years.



Effective date: For investments made from 1 January 2027 to 31 December 2030



1.12 EXTENSION OF TAX INCENTIVE FOR ECF

Currently, individual investors (including those investing through a Limited Liability Partnership nominee) who invest in ECF are eligible for an income tax exemption on aggregate income equivalent to 50% of the amount invested in ECF, subject to the prescribed conditions. This tax incentive is extended to investments made up to 31 December 2026.

It is proposed that the income tax incentive for individual investors investing through ECF platforms be **extended** for 4 years.



Effective Date: For investments made from 1 January 2027 to 31 December 2030

1.13 REVIEW OF INCOME TAX EXEMPTION FOR SHARIAH-COMPLIANT FUND MANAGEMENT SERVICES PROVIDER COMPANIES

Currently, a resident company providing Shariah-compliant fund management services approved by the SC is given an income tax exemption of 60% on SI derived from management of Shariah- compliant funds as follows:

Investors Category	Tax Exemption Period
Foreign investors in Malaysia	YAs 2007 to 2027
Local investors	YAs 2008 to 2027
Business Trust Investors and Real Estate Investment Trusts (REITs) Investors in Malaysia	YAs 2014 to 2027



It is proposed that the existing income tax exemption be **reviewed** as follows:

-  The income tax exemption rate be **reduced** to 40% on SI derived from management of Shariah-compliant funds
-  The income tax exemption be **extended** for 3 years.

 **Effective Date: YAs 2028 to 2030**

1.14 TAX DEDUCTION ON THE ISSUANCE COSTS OF SUKUK PRISMA

Currently, income tax deduction is given on SRI Sukuk issuance costs from YAs 2016 until 2027. From 2027, the SC will introduce Sukuk Prisma to expand the use of the capital market to attract sustainability-focused investments. SC targets investments of up to RM100 billion over 5 years to finance sustainable projects that benefit *rakyat* among others in the following areas:

-  Climate change adaptation.
-  Water and food security.
-  Biodiversity resilience.
-  Blue economy.

It is proposed that a tax deduction be **given** on the issuance costs of Sukuk Prisma approved or authorised by or lodged with the SC, from YAs 2027 to 2030.

The existing income tax deduction granted on the issuance cost of SRI Sukuk remains effective until YA 2027.



 **Effective date: YAs 2027 to 2030**

1.15 TAX DEDUCTION ON CONTRIBUTIONS TO DAPUR SISWA MADANI PROGRAMME

To encourage contributions towards the Dapur Siswa MADANI programme, which provides assistance to students in coping with the rising cost of living, it is proposed that tax deductions be **given** to the contributors of food and equipment.



Effective date: For contributions made from 1 January 2027 to 31 December 2030

1.16 TAX DEDUCTION FOR IMPLEMENTING BAKAT MADANI TRAINING PROGRAMMES

It is proposed that companies implementing Bakat MADANI training programmes be **given** income tax deduction.



Effective Date: For Bakat MADANI training programmes undertake from 29 June 2026 to 31 December 2030

1.17 TAX DEDUCTION ON CONTRIBUTIONS TO PUBLIC UNIVERSITIES

It is proposed that a tax deduction of up to 10% of aggregate income be **allowed** for contributions made to public universities.



Effective date: To be announced

1.18 TAX TREATMENT FOR SCHOOL PUBLIC CONTRIBUTION FUND

The School Public Contribution Fund (Tabung Sumbangan Wang Awam Sekolah – TSUWAS) is a fund approved under subsection 44(6) of MITA to finance the implementation of projects or programmes for student development and welfare, subject to approval by the MOE. Currently, TSUWAS fund excludes administrative and operating or repair and maintenance expenses.

It is proposed that the scope of TSUWAS be **expanded** to cover administrative and operating expenses, repairs and maintenance, the procurement of equipment, as well as the implementation of school programmes for students.

The existing tax deduction for cash contributions made by individuals or companies to TSUWAS, limited to 10% of aggregate income, remains unchanged.



Effective Date: YA 2027



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2.0 Personal Tax

2.0 Personal Tax

2.1 REVIEW OF INCOME TAX RATES FOR RESIDENT INDIVIDUAL

Currently, resident individuals are subject to income tax at progressive rates ranging from 0% to 30%, depending on their chargeable income levels, as set out below:

Chargeable Income Band (RM)	Tax Rate (%)
0 – 5,000	0
5,001 – 20,000	1
20,001 – 35,000	3
35,001 – 50,000	6
50,001 – 70,000	11
70,001 – 100,000	19
100,001 – 400,000	25
400,001 – 600,000	26
600,001 – 2,000,000	28
Exceeding 2,000,000	30

To alleviate the tax burden on middle-income taxpayers and enhance the progressivity of the personal income tax system, it is proposed that the chargeable income bands and corresponding tax rates for resident individuals be **revised** as follows:

- A **reduction** of 1 percentage point in the tax rate applicable to the chargeable income band of **RM70,001 to RM100,000**, from 19% to **18%**.
- The introduction of a **new chargeable income band of RM100,001 to RM150,000**, subject to a tax rate of **24%**, representing a 1 percentage point reduction from the current rate of 25%. The tax rate for the chargeable income band of RM150,001 to RM400,000 will remain unchanged at 25%.
- The chargeable income band of **RM600,001 to RM2,000,000** will be **restructured** into a **narrower band of RM600,001 to RM1,000,000**, with the tax rate remains unchanged at 28%.
- The **highest tax bracket** will be **revised** from chargeable income exceeding RM2,000,000 to chargeable income **exceeding RM1,000,000**, which will continue to be taxed at **30%**.



Following the proposed amendments, the chargeable income bands and income tax rates for resident individuals will be structured as follows:

Chargeable Income Band (RM)	Tax Rate (%)
0 – 5,000	0
5,001 – 20,000	1
20,001 – 35,000	3
35,001 – 50,000	6
50,001 – 70,000	11
70,001 – 100,000	18
100,001 – 150,000	24
150,001 – 400,000	25
400,001 – 600,000	26
600,001 – 1,000,000	28
Exceeding 1,000,000	30



Effective Date: YA 2027



RKT Comments

These measures are intended to provide tax relief to middle-income taxpayers while preserving the progressive nature of the tax system, ensuring that higher-income earners continue to contribute a proportionately higher share of tax revenue.

2.2 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR SELF AND DEPENDENT RELATIVES

Currently, the individual income tax relief for self and dependent relatives has remained at RM9,000 since YA 2010, following an increase from RM8,000.

To enhance taxpayers' disposable income and help mitigate the impact of the rising cost of living, it is proposed that the individual income tax relief for self and dependent relatives be **increased** from RM9,000 to **RM12,000**.



Effective Date: YA 2027



RKT Comments

*The proposed enhancement represents a **33.3% increase** in the relief threshold and is expected to deliver meaningful tax savings across a broad segment of resident taxpayers.*

By increasing the personal relief amount, the measure reduces taxable income of taxpayers across all income levels, and enhances disposable income, providing additional support amid ongoing cost-of-living pressures.



2.3 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR EXPENSES INCURRED ON PARENTS AND GRANDPARENTS

With effect from YA 2025, resident individuals are eligible to claim a tax relief of up to RM8,000 in respect of expenses incurred for the care of their parents and grandparents, including:



Medical treatment at clinics and hospitals.



Treatment and care services provided at home, day care centres and residential care centres.



Dental treatment (excluding cosmetic dental treatment).



Full medical examinations and vaccinations, subject to a limit of RM1,000.

The claim must be supported by certification from a registered medical practitioner. For care services provided by a carer (other than the taxpayer, spouse or children), a written declaration or copy of the carer's work permit, together with supporting receipts, is required.

To provide more comprehensive support for elderly care and reduce the compliance burden on taxpayers, it is proposed that the scope of qualifying expenses for the care of parents and grandparents be **expanded** to cover all forms of care expenses, rather than being limited to medical care-related expenses.

The requirement to obtain verification from a registered medical practitioner will be **removed**. Instead, claims may be supported by a written declaration from the carer or a copy of the carer's work permit, together with relevant receipts.



Effective Date: YA 2027



RKT Comments

The proposal broadens the scope of qualifying elderly care expenses and simplifies the claim process by removing the medical certification requirement. These enhancements are expected to improve accessibility to the relief, reduce compliance burden and provide greater tax support for taxpayers incurring elderly care expenses.

2.4 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR HEALTH AND WELL BEING EXPENSES

Resident individuals are currently entitled to a tax relief of up to RM10,000 for qualifying medical treatment expenses, including expenses relating to serious illnesses, fertility treatment, vaccinations, dental treatment, health screenings, mental health assessments, self-health monitoring equipment, and treatment for children with learning disabilities.

In addition, a separate tax relief of up to RM1,000 is available for the purchase of breastfeeding equipment for personal use for children aged two years and below.

To further promote family well-being, particularly for mothers, it is proposed that the existing medical treatment relief be **reclassified** as the Health and Well-being Relief, with the overall relief limit retained at RM10,000.

The scope of the relief will be **expanded** to include:



Postnatal care services provided by a confinement centre or qualified individual, limited to RM3,000.



Breastfeeding equipment for children aged two years and below, paid by the taxpayer or spouse, limited to RM1,000.

The separate relief for the purchase of breastfeeding equipment will be **merged** into the Health and Well-being Relief.



Effective Date: YA 2027



RKT Comments

The proposal broadens the scope of the relief to include postnatal care expenses and consolidates breastfeeding equipment relief under a single Health and Well-being Relief, providing greater support for maternal and family health while streamlining the relief framework.

2.5 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR EDUCATION FEES AND LIFESTYLE EXPENSES

Currently, individuals may claim a tax relief of up to RM7,000 on qualifying education fees incurred for approved courses and fields of study. A separate lifestyle relief of up to RM2,500 is available for fees paid for upskilling or self-enhancement courses, including courses related to hobbies, languages and religion.

To encourage lifelong learning and skills development, it is proposed that the existing education fee relief and the relief for skills courses under lifestyle relief be **consolidated and reclassified** as Education and Skills Training Fees Relief, with the overall relief limit remaining at RM7,000.

The **revised** relief will cover:



Fees incurred by the taxpayer for pursuing courses or studies at the Certificate, Diploma, Bachelor's, Master's or Doctor of Philosophy level at approved local institutions or professional bodies.



Fees incurred by the taxpayer or spouse, limited to RM3,000, for TVET-related upskilling or self-enhancement courses recognised under the National Skills Development Act 2006.



Fees incurred, limited to RM2,000, for:

- Non-employment-related courses, training, skills or self-enhancement classes undertaken by the taxpayer or spouse; or
- STEM, arts, language and religious courses, training, classes or tuition for children.

The existing lifestyle relief for upskilling and self-enhancement courses will be **merged** into the new relief.



Effective Date: YA 2027



RKT Comments

The proposal consolidates existing education and lifestyle-related training reliefs into a single framework, while broadening the scope of eligible courses to support lifelong learning, skills development and educational advancement for both individuals and their families.

2.6 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR LIFESTYLE

With effect from YA 2024, individuals may claim a lifestyle tax relief of up to RM2,500 on the purchase of reading materials (including e-books and printed/ electronic newspapers), personal computers, smartphones, tablets and internet subscriptions.

To promote digital literacy and the adoption of AI, it is proposed that the scope of the lifestyle relief be **expanded** to include subscriptions to AI software and applications by the taxpayer, spouse or children.

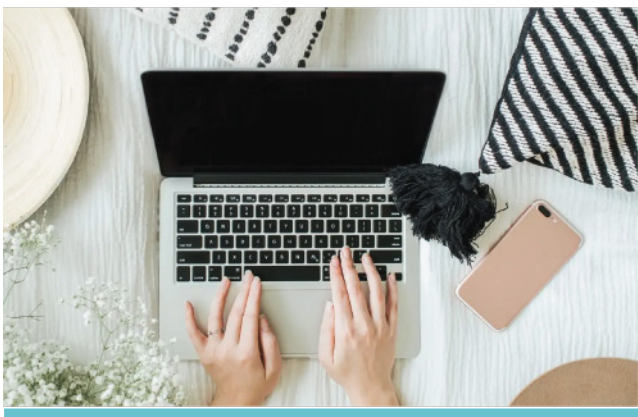
In addition, the relief will be **broadened** to cover certain pet care expenses, namely:



Adoption fees paid to registered animal shelters.



Veterinary expenses for vaccinations and spaying or neutering procedures.



The overall relief limit of RM2,500 remains unchanged.



Effective Date: YA 2027



RKT Comments

The proposal expands the lifestyle relief to reflect evolving digital and social trends by recognising AI-related subscription costs and selected pet care expenses, while maintaining the existing relief cap of RM2,500.

2.7 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR SPORTS-RELATED LIFESTYLE

Effective from YA 2024, individuals may claim a sports-related lifestyle tax relief of up to RM1,000 on qualifying expenses incurred for themselves, their spouse, children or parents. Eligible expenses include the purchase of sports equipment, rental or entrance fees for sports facilities, registration fees for approved sports competitions, and gymnasium membership or sports training fees.



To further encourage a healthy lifestyle, it is proposed that the scope of the sports-related lifestyle relief be **expanded** to include the purchase of sports shoes, subject to a limit of RM300.

The overall relief limit of RM1,000 remains unchanged.



Effective Date: YA 2027



RKT Comments

The proposal expands the scope of the sports-related lifestyle relief to include sports shoes as a qualifying expense, further encouraging participation in sporting and fitness activities. The enhancement broadens access to the relief while maintaining the existing relief cap of RM1,000.

2.8 EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR TOURISM EXPENSES

To promote domestic tourism, individuals are currently eligible to claim a tax relief of up to RM1,000 for YA 2026 on entrance fees paid for:



Tourist attractions, including museums, zoos, theme parks, national parks, marine parks and geoparks.



Cultural and arts programmes.

In conjunction with the extension of the Visit Malaysia Year 2026 campaign into 2027, it is proposed that the tax relief for tourism expenses be **extended** for an additional year.



Effective Date: YA 2027



RKT Comments

The proposed extension reinforces the Government's efforts to support domestic tourism by encouraging greater participation in local travel, cultural experiences and visitor attractions. The measure is expected to further stimulate tourism-related spending and complement the objectives of the Visit Malaysia campaign.

2.9 REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR SOCSO CONTRIBUTIONS

With effect from YA 2022, private sector employees may claim a tax relief of up to RM350 for contributions made to social security protection schemes administered by SOCSO, including contributions under the Employees' Social Security Act 1969 and the Employment Insurance System Act 2017.



To support broader social protection coverage, particularly for gig workers and hawkers, it is proposed that:



The existing relief of RM350 be **extended** to include mandatory contributions to the Self-Employment Social Security Scheme (Lindung Kendiri) for the three mandatory sectors, namely passenger transport, goods or food transport, and hawkers.



An **additional tax relief** of RM150 be granted for voluntary contributions to the Self-Employment Social Security Scheme (Lindung Kendiri) for the 17 non-mandatory sectors and the Non-Employment Injury Scheme (Lindung24).



Effective Date: YA 2027



RKT Comments

The proposal expands the scope of tax relief for SOCSO contributions to cover a wider range of self-employed individuals, while providing additional tax incentives to encourage voluntary participation in social security protection schemes.



Belanjaan 2027
**MALAYSIA
MADANI**

3.0 Stamp Duty

3.0 Stamp Duty

3.1 REVIEW OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL HOME

Currently, stamp duty exemption of 100% is given on loan agreements and instruments of transfer for the purchase of first residential home priced up to RM500,000 by Malaysian citizens. The exemption applies to loan agreements and instruments of transfer relating to SPAs executed from 1 January 2021 to 31 December 2027.



It is proposed that the stamp duty exemption for the purchase of a first residential home by Malaysian citizens be **revised** as follows:

- Home priced up to RM500,000: 100% stamp duty exemption be extended for 3 years.
- Home priced above RM500,000 and up to RM750,000: 100% stamp duty exemption on the first RM500,000 of the home priced and 50% exemption on the portion exceeding RM500,000 and up to RM750,000.



Effective Date: For loan agreements and instruments of transfer involving SPAs executed from 1 January 2027 to 31 December 2030

3.2 STAMP DUTY EXEMPTION FOR THE REVIVAL OF ABANDONED HOUSING PROJECTS

Currently, stamp duty exemption of 100% is given on loan agreements and instruments of transfer executed from 1 January 2013 to 31 December 2025 in relation to the revival of abandoned housing projects certified by the MOHLG, as follows:

Rescue contractor or developer



Loan agreements for financing purposes.



Instruments of transfer for the transfer of land or abandoned housing projects.

Original buyer of the abandoned house



Loan agreements for additional financing purposes.



Instruments of transfer for residential homes.

It is proposed that 100% stamp duty exemption 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 MOHLG.



Effective Date : For loan agreements and instruments of transfer executed from 1 January 2027 to 31 December 2030

3.3 STAMP DUTY EXEMPTION FOR OPENING SAVINGS AND CURRENT ACCOUNTS

Currently, stamp duty at the rate of RM10 is imposed on instruments for opening of specified savings and current account opening instruments.

It is proposed that **full stamp duty exemption** be given on instruments executed by individuals or businesses for opening of specified savings and current account.



Effective Date: For instruments executed from 1 January 2027

3.4 REVIEW OF STAMP DUTY TREATMENT FOR FOREIGN CURRENCY LOAN OR FINANCIAL AGREEMENTS

Currently, the foreign currency loan or financial agreements are subject to *ad valorem* stamp duty at a rate of 0.5%.

It is proposed that the stamp duty imposed on foreign currency loan or financing agreements for financing obtained from banks in Malaysia be subject to the following **maximum limits**:

Amount of loan or financing	Stamp duty RM
Up to RM100 million	2,000
Exceeding RM100 million	5,000



Effective date: For loan or financing agreements executed from 1 January 2027

3.5 REMISSION OF STAMP DUTY ON LOAN AGREEMENTS BY MTCs

Currently, credit facility agreements (first-tier) and agreements for the utilisation of the excess credit facilities (second-tier) executed between MTCs and financial institutions (under the reverse factoring concept) are subject to *ad valorem* stamp duty at a rate of 0.5%.

It is proposed that remission of stamp duty in excess of **RM10** be remitted on the above second-tier agreements, subject to the following conditions:

- MSME suppliers have fulfilled contracts for the supply of goods or services to MTCs; and
- MSME suppliers are not parent company, subsidiary or related to the MTCs.



Effective Date: For second-tier agreements executed between MTCs and financial institutions from 1 January 2027 to 31 December 2030

3.6 REMISSION OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS THROUGH P2P PLATFORMS

Currently, stamp duty exemption of 100% is given to MSMEs and investors for raising business capital through loan or financing agreements executed from 1 January 2022 to 31 December 2026 made through P2P platforms registered with and recognised by the SC.

It is proposed that stamp duty in excess of **RM10** be remitted on P2P loan or financing agreements executed between MSMEs and investors.



Effective Date: For loan or financing agreements executed from 1 January 2027 to 31 December 2030



RKT Comments

Although the mechanism changes from an exemption to a remission, the measure continues to support Malaysia's alternative financing ecosystem and startup funding landscape.



3.7 STAMP DUTY TREATMENT ON LOANS OR FINANCING AGREEMENTS FOR SHIPPING COMPANIES

It is proposed that stamp duty on loan or financing agreements for the purchase or construction of Malaysian ships be **capped** as follows:

- a. **RM2,000** for loan or financing up to RM100 million; and
- b. **RM5,000** for loan or financing exceeding RM100 million.

The existing 100% stamp duty exemption on instruments executed by a Labuan entity in relation to a Labuan business activity under the Stamp Duty (Exemption) (No. 3) Order 2012 [P.U.(A) 268/2012] remains unchanged.



Effective Date: For loan or financing agreements executed from 1 January 2027

3.8 REVIEW OF STAMP DUTY TREATMENT FOR LOAN OR FINANCING UNDER THE CAKNA SCHEME

The Cakna Scheme provides financing facilities to MSMEs and small contractors that have secured Government contracts. Currently, stamp duty exceeding RM10 on principal loan or financing agreements under Cakna Scheme, as follows:

- CAKNA I Scheme: Agreements executed from 1 March 2021 to 31 December 2028.
- CAKNA II Scheme: Agreements executed from 1 January 2024 to 31 December 2025.

It is proposed that the remission of stamp duty exceeding RM10 on principal loan or financing agreements under Cakna Scheme executed by MSMEs and small contractors be **reviewed** as follows:

- CAKNA I Scheme: The remission be **extended** for 2 years.
- CAKNA II Scheme: The remission be **reintroduced**.



Effective Date:

- i. CAKNA I Scheme: For loan or financing agreements executed from 1 January 2029 to 31 December 2030.
- ii. CAKNA II Scheme: For loan or financing agreements executed from 1 January 2027 to 31 December 2030.



Belanjaan 2027
**MALAYSIA
MADANI**

4.0 Indirect Tax

4.0 Indirect Tax

4.1 REVIEW OF IMPORT DUTY EXEMPTION FOR LANGKAWI ORIGIN GOODS

Currently, import duty exemption is granted on goods originating from Langkawi and transported directly into PCA subject to the prescribed conditions under Item 76 of the Customs Duties (Exemption) Order 2017.

The existing exemption covers 23 categories of goods, including agricultural products, seafood products, handicrafts, timber products and selected manufactured goods.

To support the development of local entrepreneurs in Langkawi, it is proposed that the list of goods eligible for Import Duty exemption be **revised and expanded** to cover the following categories:

Goods Category	Eligible Goods
Agriculture and Agro-food	Bird's eggs, coconuts, fruits, sugarcanes, vegetables, poultry and virgin coconut oil.
Food and Beverage Products	Coffee products, mineral water, pineapple tarts, coconut cookies, chocolate made in Langkawi, curry puff, chips, buffalo milk ice cream and retort products.
Fisheries and Marine Products	Anchovies, anchovy-based products, dried stingray products and downstream sea cucumber products.
Minerals and Ornament	Handicraft products, crystal products and tiffin carriers.
Consumer Goods and Home Appliances	Homemade soap, virgin coconut oil soap and whetstones.
Forestry and Construction	Wood charcoal, cement and marble.



Effective Date: 1 January 2027



4.2 REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION TREATMENT FOR GOODS TRANSPORTED OUT OF DUTY-FREE ISLANDS

Currently, tourists and visitors bringing goods from Duty-Free Islands into the PCA are eligible for Import Duty and Sales Tax exemptions under the Customs Duties (Exemption) Order 2017 and Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

The exemptions are subject to prescribed value or quantity limits and minimum duration of stay, depending on the Duty-Free Island and category of goods.

The existing exemption for general goods is limited to RM1,000, subject to the applicable exclusions and conditions.

To promote tourism in Duty-Free Islands, it is proposed that the Import Duty and Sales Tax exemption for goods brought out of Langkawi and Labuan be **revised** as follows:

Particulars	Proposed Treatment
Duty-Free Islands	Langkawi and Labuan
Goods value limit	RM10,000
Minimum duration of stay	48 hours
Eligible goods	All new goods, subject to specified exclusions

The following goods are **excluded** from the proposed exemption:

- i. Tyres and tubes;
- ii. Alcoholic beverages;
- iii. Cigarettes;
- iv. Tobacco products;
- v. Smoking pipes; and
- vi. Electronic cigarettes and vapes, including liquids or gels.



The existing Import Duty and Sales Tax treatment for Tioman, Pangkor and Pulau 1, Forest City remains unchanged.



Effective Date: 1 January 2027

4.3 SALES TAX REFUND FACILITY FOR TRADERS ON SUPPLIES TO MANUFACTURERS

Manufacturers are eligible for Sales Tax exemption on machinery, spare parts and equipment under Item 55, Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

In addition, manufacturers of pharmaceutical products, animal feed, fertilisers and pesticides are eligible for Sales Tax exemption on approved inputs specified under Schedule B of the same Order.

The exemptions are subject to the goods being:

- i. Imported directly by the manufacturer; or
- ii. Purchased directly from a local registered manufacturer.

Currently, no Sales Tax exemption is available where the machinery, spare parts and equipment are purchased from local traders or distributors.



To reduce business costs and strengthen local supply chains, it is proposed that a Sales Tax refund facility be **introduced** for local traders or distributors that have paid Sales Tax on machinery, spare parts and equipment supplied to manufacturers.

The proposed refund facility covers:

- i. Machinery, spare parts and equipment specified under Item 55, Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018; and
- ii. Approved inputs used in the manufacture of pharmaceutical products, animal feed, fertilisers and pesticides specified under Schedule B of the same Order.

 **Effective Date: 1 January 2027**

4.4 IMPROVEMENT ON SERVICE TAX TREATMENT FOR ELDERLY CARE SERVICES

Elderly care services are currently classified as a taxable service under the Wellness Centres category in Group C, First Schedule of the Service Tax Regulations 2018.

The applicable Service Tax rate is 8%, with a registration threshold of RM500,000.

To improve access to elderly care services, it is proposed that:

- i. Elderly care services be **removed** from Group C and classified as a new taxable service under Group I, First Schedule of the Service Tax Regulations 2018;
- ii. The Service Tax registration threshold is **maintained** at RM500,000;
- iii. The applicable Service Tax rate be **reduced** from 8% to 6%; and
- iv. Service Tax exemption be **granted** on elderly care services, subject to the following conditions:

Annual Care Fees per Person	Proposed Service Tax Treatment
Up to RM96,000	Service Tax exemption for elderly care centre service providers registered under the Care Centres Act 1993 or Private Aged Healthcare Facilities and Services Act 2018.
Exceeding RM96,000	Subject to Service Tax at 6%.

 **Effective Date: 1 January 2027**

RKT Comments

The revised treatment is intended to improve access to elderly care, but it introduces a resident-level threshold that providers will need to monitor.

4.5 REVIEW OF ENTERTAINMENT DUTY EXEMPTION IN THE FEDERAL TERRITORIES

Currently, Entertainment Duty is imposed at 25% on admission fees to entertainment venues and events.

Pursuant to subsection 12(1)(b) of the Entertainment Duty Act 1953, the MOF may grant Entertainment Duty exemptions for entertainment events held in the Federal Territories.

Under Budget 2024, reduced Entertainment Duty rates were introduced for selected entertainment categories in the Federal Territories from 1 January 2024 to 31 December 2028, as follows:

Categories of Entertainment	Duty Rate After Exemption
International stage performances, light shows and circuses	10%
Film screenings (cinemas) and theatres	10%
Exhibitions, zoos and aquariums	10%
Sports events, e-sports, bowling, snooker, pool, billiards and karaoke	10%
Theme parks, family recreation centres, indoor amusement centres and simulators	5%
Stage performances by local artists	0%



To further support the local creative arts industry and promote family-oriented entertainment activities, it is proposed that:

- i. The existing Entertainment Duty exemptions for selected entertainment categories be **extended** for 2 years until 31 December 2030; and
- ii. Full Entertainment Duty exemption be **granted** on admission tickets for local film screenings (cinemas) and local theatre performances held in the Federal Territories for 4 years.



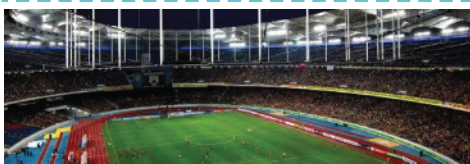
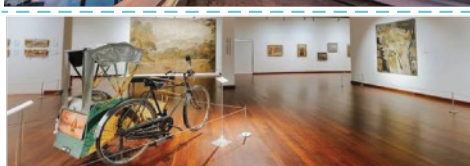
Effective Date:

- i. For selected entertainment categories, the extension applies to applications received by the MOF until 31 December 2030.
- ii. For local film screenings and local theatre performances, the full exemption applies to applications received by the MOF from 1 January 2027 to 31 December 2030.

4.6 ENTERTAINMENT DUTY EXEMPTION FOR SELECTED FACILITIES IN FEDERAL TERRITORY

Entertainment Duty exemption is currently granted on admission fees for arts and cultural events, entertainment and sports activities held at selected facilities in the Federal Territory.

The approved facilities comprise:

	Bukit Jalil National Sports Complex: a. TM National Stadium b. Unifi Arena c. National Hockey Stadium
	Juara Stadium (Bukit Kiara Sports Complex)
	Palace of Culture (Istana Budaya)
	National Art Gallery
	PETRONAS Philharmonic Hall

To encourage the utilisation of conserved historical heritage sites, it is proposed that Entertainment Duty exemption be **extended** to arts and cultural events, entertainment and sports activities held at the following facilities:

- i. Stadium Merdeka; and
- ii. Stadium Negara.

 Effective Date: 1 January 2027



Glossary for Reference

Abbreviation	Description
ACA	Accelerated Capital Allowance
AI	Artificial Intelligence
BESS	Battery Energy Storage System
ECF	Equity Crowdfunding
ESG	Environmental, Social, and Governance
EV	Electric Vehicle
GDP	Gross Domestic Product
GITA	Green Investment Tax Allowance
GITE	Green Investment Tax Exemption
GSH	Global Services Hub
ICT	Information and Communications Technology
JS-SEZ	Johor-Singapore Special Economic Zone
MGTC	Malaysian Green Technology and Climate Change Corporation
MIDA	Malaysian Investment Development Authority
MITA	Malaysian Income Tax Act 1967
MOE	Ministry of Education
MOF	Ministry of Finance
MOHLG	Ministry of Housing and Local Government
MOTAC	Ministry of Tourism, Arts and Culture
MSME	Micro, Small and Medium Enterprise
MTCs	Mid-Tier Companies
P2P	Peer-to-Peer
PCA	Principal Customs Area
PH	Principal Hub
SC	Securities Commission Malaysia
SI	Statutory Income
SPA	Sale And Purchase Agreement
SRI	Sustainable and Responsible Investment
SVA	Small Value Asset
TFM	Treasury Fund Management
YA	Year of Assessment

RKT TAX SEMINAR

BUDGET 2027

5 November 2026, Thursday
9:00 AM - 5.00 PM
InterContinental Kuala Lumpur

Dear valued clients and business associates,

Join us at this year's RKT Tax Seminar which will provide participants with valuable insights, covering latest tax developments and also key tax changes outlined in Budget 2027 proposals.

Date	5 November 2026, Thursday
Time	9.00 am - 5:00 pm
Venue	InterContinental Kuala Lumpur
Registration	

Seminar Fees

RM 680

Per Participant

RKT clients

RM 780

Per Participant

Non RKT clients

RM 600

Per Participant

Group registration
(for 2 and above)

HRD Corp Claimable

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MyCoID: 125828W (The Institute of Taxation Sdn Bhd)
Programme Code: 10001763070
Trainer: Mayadevi a/p Karpayah



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Participants will be presented with a Certificate of Attendance which can be used to register CPE hours /CPD points

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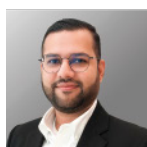
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