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BUDGET 2027 TAX OUTLOOK:

KEY PROPOSALS AT A GLANCE

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Budget 2027 Overview

Translating proposals into business priorities

Budget 2027 strikes a considered balance between near-term relief and the strengthening of Malaysia's longer-term fiscal and economic foundations.

Targeted tax reductions and expanded reliefs should provide support to individuals and MSMEs, while measures promoting strategic investment, technology, and access to financing reinforce the Government's ambition to build a more competitive, higher-value economy.

Budget 2027 also signals a more disciplined tax environment, shaped by progressive taxation, and closer alignment between tax deductibility and regulatory compliance.



Our perspective

Budget 2027 presents meaningful opportunities for businesses prepared to respond strategically.

Realising their value will require more than identifying available incentives. Businesses should consider how the proposed measures align with their investment plans, financing arrangements, workforce strategies and operational priorities.

Early assessment and implementation planning will be critical to capturing the available benefits, managing potential cost implications and maintaining robust tax governance.

Immediate priorities for businesses



Assess tax opportunities

Review eligibility for the reduced MSME tax rates and sector-specific incentives.



Revisit investment strategies

Consider how the proposed capital allowance measures may affect the timing of planned capital expenditure.



Evaluate workforce implications

Assess the financial, operational and tax consequences of the proposed wage and salary-payment measures.



Strengthen tax governance

Ensure that salary-payment arrangements, internal controls and supporting documentation are sufficiently robust to substantiate the proposed tax-deductibility requirements.



Optimise transaction costs

Identify available stamp duty relief for financing, property and other qualifying transactions.



Prepare for implementation

Monitor the Finance Bill, subsidiary legislation and administrative guidance for the final scope, qualifying conditions and effective dates.



Important: The measures outlined above remain proposals and may be amended before enactment. Their final application should be confirmed against the Finance Act, exemption orders, rules and administrative guidance subsequently issued by the relevant authorities.

To discuss how the Budget 2027 proposals may affect you or your business, please contact your usual RKT Tax adviser or email us at info@rktmalaysia.com.

Anston Cheah
Head of Tax



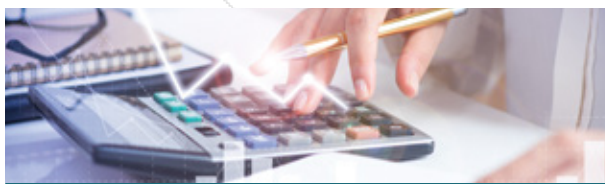
Individual Income Tax Rates and Reliefs

(Effective: YA 2027)

Revised resident individual tax rates

From YA 2027:

- Income tax rate for chargeable income from **RM70,001 to RM100,000** is proposed to **decrease** from 19% to **18%**.
- A **new** band from **RM100,001 to RM150,000** is proposed at **24%** (currently at 25%).
- Revision of the chargeable income band of RM600,001 to RM2 million into **RM600,001 to RM1 million** with the tax rate remains at 28%.
- Accordingly, the income tax rate for resident individuals earning **above RM1 million** will be **30%** (currently, income tax rate of 30% is applicable to chargeable income band above RM2 million for resident individuals).



Personal relief

- Personal tax relief for individuals and dependants will be increased to **RM12,000** (from RM9,000).

Expanded reliefs

The proposals also include:



Wider qualifying care expenses for parents and grandparents.



Postnatal care of up to **RM3,000** under the proposed Health and Well-being relief.



Breastfeeding equipment of up to **RM1,000**.



Broader education, TVET, skills-training and children's tuition expenses.



Personal subscriptions to AI software and applications.



Specified pet adoption and veterinary expenses.



Sports shoes, **subject to a RM300 sub-limit**



Income tax reliefs for SOCSO contribution will be **expanded to include** mandatory employee contributions to the Lindung Kendiri scheme, with **additional relief of up to RM150** for voluntary employee contributions to Lindung 24 Jam and Lindung Kendiri schemes.



RKT Comments

The proposals provide targeted support to middle-income taxpayers while making the overall rate structure more progressive.

Employers should consider the effect on Monthly Tax Deductions, tax equalisation and remuneration arrangements once the revised deduction tables are issued.

Businesses operating flexible-benefit schemes should ensure that employees can distinguish between employer-paid benefits and expenses personally incurred for relief purposes.

Corporate Tax and Tax Incentives

Lower income tax rates for MSMEs

(Effective: YA 2027)

- The corporate income tax rates for MSMEs will be reduced as follows:-

Chargeable income	Current rate	Proposed rate
First RM150,000	15%	14%
RM150,001 to RM600,000	17%	16%
Exceeding RM600,000	24%	24%



RKT Comments

It is envisaged that approximately 300,000 MSMEs could benefit, with potential tax savings of up to RM6,000.

The reduction provides welcome cash-flow support, although its absolute value may be modest for many businesses. The more important issue is eligibility.

Businesses should not assume that meeting the capital and sales threshold is sufficient, particularly where there are corporate shareholders, related companies or recent ownership changes.

Qualifying MSMEs should ensure eligibility before applying the reduced rates. If applicable, to recalculate their 2027 tax forecasts and instalment estimates.

ENHANCE CAPITAL ALLOWANCES

Small-value assets

(Effective: YA 2027)

- Capital allowances for small value assets will be increased to **RM3,000** (from RM2,000) for each small value asset for MSME; and
- The overall capital allowances capping for companies other than MSMEs will be increased to **RM30,000** (from RM20,000).

Accelerated capital allowance (ACA)

- The two-year ACA for specified capital expenditure is proposed be extended to qualifying expenditure incurred from 1 January 2027 to 31 December 2030. The qualifying expenditure includes specified locally manufactured machinery, plant, ICT equipment, computer software packages and certain costs relating to customised software.



RKT Comments

These measures support business investment and digitalisation. Businesses should compare the accelerated deductions against projected taxable income, existing unabsorbed allowances and other available incentives.

Corporate Tax and Tax Incentives (Cont'd)

Cashless salary payments and tax deductibility

(Effective: YA 2028)

- For companies other than MSMEs, tax deductions on salary expenses will only be allowed if the salary are paid through financial institutions or cashless payment instruments, in accordance with the Employment Act 1955.

This condition is not applicable for expenses other than salary.



RKT Comments

This is a significant compliance measures as it links the tax deductibility of a core business expense directly to the method of payment. Affected employers that continue making cash salary payments could face a material tax-deduction risk.

Business should:

- Identify employees paid wholly or partly in cash;*
- Move salary payments to approved channels;*
- Review employment contracts and payroll policies; and*
- Establish a robust documentary trail supporting each payment.*

Global Services Hub incentive (GSH)

Effective: Applications received by MIDA from 1 January 2027

- The GSH tax incentives will be enhanced from 1 January 2027 to include (among others):



a special tax rate of 5% on income from GSH activities for new company.



extension of tax incentive period every 5 years (up to maximum 30 years).



WHT and stamp duty exemption on loan agreements for GSH companies managing treasury and funds.

- The treasury incentives are also proposed be extended to the JS-SEZ incentive package.



RKT Comments

The revised framework could strengthen Malaysia's position as a regional base for shared services, strategic functions and treasury operations. However, the benefit must be assessed against the required expenditure, employment, service and economic-substance commitments.

Corporate Tax and Tax Incentives (Cont'd)

Green technology incentives

- The Green Investment Tax Allowance framework is proposed to be revised and extended from 1 January 2027 to 31 December 2030.
- The proposed framework includes:



a 100% ITA for specified green hydrogen and ocean thermal energy conversion projects.



a 60% allowance for specified renewable-energy projects and EV charging stations.



a 100% or 60% allowance for qualifying own-use green assets, depending on the relevant tier.



a set off against 70% or, for certain projects, 100% of statutory income.



RKT Comments

Businesses should conduct an incentive assessment before procurement, as retrospective restructuring of contracts and records may not be sufficient to establish eligibility.

Tax deduction for employers' repayment of employees' PTPTN loans

Employers will be eligible for an income tax deduction on PTPTN loan repayments made on behalf of qualifying full-time employees from **1 January 2027 to 31 December 2028**.

The deduction is subject to the employer not recovering the repayment from the employee and the employee being neither the business owner nor related to the employer.



A similar deduction was previously available for qualifying repayments made from 1 January 2019 to 31 December 2021.



RKT Comments

The proposal may support graduate recruitment and employee-retention strategies while assisting employees with their education-loan commitments. Employers should implement clear eligibility criteria, make payments directly to PTPTN and maintain adequate documentation to substantiate the deduction.

Corporate Tax and Tax Incentives (Cont'd)

STRATEGIC CAPITAL-MARKET INCENTIVES

Sukuk Prisma

A deduction is proposed for qualifying issuance costs of Sukuk Prisma approved, authorised by or lodged with the Securities Commission Malaysia. The measure will apply for **YAs 2027 to 2030**.

Equity crowdfunding and angel investors

The existing tax incentives for qualifying equity-crowdfunding investments and investments by eligible angel investors in technology start-ups are proposed to be extended for investments made from **1 January 2027 to 31 December 2030**.



Shariah-compliant fund management

The income tax exemption for resident Shariah-compliant fund-management service providers is proposed to be fixed at **40% of qualifying statutory income** for **YAs 2028 to 2030**.

Other incentives

- The relevant blueprint for **JS-SEZ** will be launched by Malaysia and Singapore by end of year 2026.
- Automotive companies which are wholly locally-owned and relocating their operations to **Automotive Hi-Tech Valley in Tanjong Malim** will be given tax deduction of up to RM5 million on qualifying relocation costs incurred between 1 January 2027 to 31 December 2030.
- The incentive framework (including the one-stop investment facilitation centre) in relation to the **Sibu Special Economic Zone** is being finalised by the Federal and Sarawak Government.



Key Stamp Duty Measures

Budget 2027 proposes:



Full exemption for qualifying first-home purchases up to RM500,000.



Tiered exemption for first home priced above RM500,000 and up to RM750,000.



Full exemption for qualifying instruments connected with certified abandoned housing projects.



Full exemption for specified savings and current account opening instruments.



Stamp duty caps of RM2,000 or RM5,000 on qualifying foreign-currency financing from banks in Malaysia.



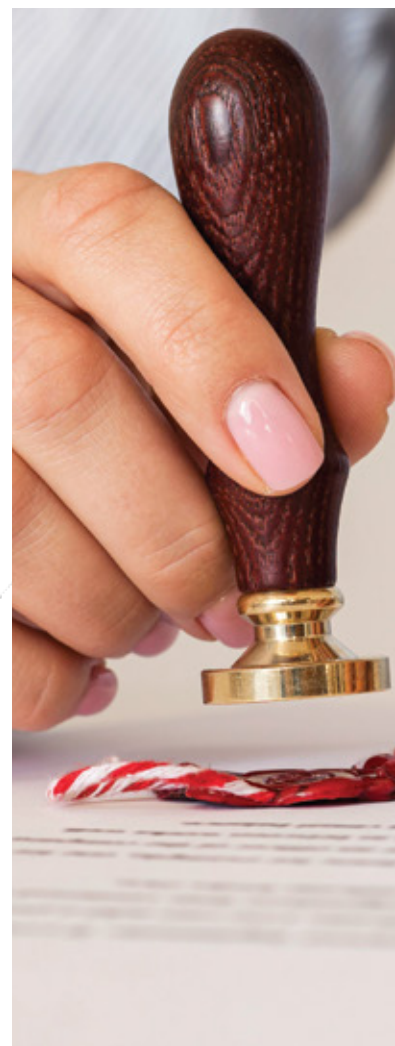
RM10 treatment for qualifying P2P financing.



RM10 treatment for specified CAKNA financing.



Remission to RM10 on qualifying second-tier supplier-financing agreements involving mid-tier companies and unrelated MSME suppliers.



RKT Comments

The proposals provide targeted stamp duty relief through exemptions, remissions and maximum duty caps for specified financing, banking and property-related instruments.

These measures should reduce transaction costs and provide greater cost certainty for taxpayers undertaking qualifying transactions.

With the phased implementation of Stamp Duty SAS from 1 January 2026, taxpayers should nevertheless assess each instrument carefully and maintain adequate documentation to support the applicable treatment and eligibility for relief.

Indirect Tax

From 1 January 2027

- Import duty exemption on **goods originated from Langkawi and brought to PCA** will be revised and expanded to include certain goods under the following goods category:-



Agriculture and agro-food.



Food and beverage products.



Fisheries and marine products.



Minerals and ornament.



Consumer goods and home appliances.



Forestry and construction.

- The value limit for certain **goods** (eligible for import duty and sales tax exemption) **brought out of Langkawi and Labuan (both being duty-free islands) to PCA by tourists or visitors** and the duration of visit will be revised to **RM10,000** and 48 hours respectively.
- Sales tax refund** facility will be given to local traders or distributors in respect of sales tax paid on goods (e.g. machinery, spare parts, equipment, inputs) supplied to manufacturers.



Service Tax on Elderly-care Services

From 1 January 2027:



The registration threshold for elderly-care centres will remain at RM500,000.



Annual care fees of **up to RM96,000** per person charged by qualifying registered providers will be exempt.



Charges exceeding RM96,000 per person will be subject to service tax at **6%, reduced** from 8%.



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.

Entertainment Duty

- Entertainment duty will be exempted for arts, cultural, entertainment and sporting events held at Stadium Negara and Stadium Merdeka. **Applicable from 1 January 2027.**
- Entertainment duty exemption on selected categories of entertainment, as provided under Budget 2024, will be extended until 31 December 2030. **Applicable for applications received by MOF until 31 December 2030.**
- 100% entertainment duty exemption will be given on tickets for local film screenings (cinemas) and local theatre performances held in Federal Territories for 4 years. **Applicable for applications received by MOF from 1 January 2027 to 31 December 2030.**

Cost of Doing Business: Wages and Human Capital

- The minimum wage will be raised to **RM2,000** (from RM1,700) beginning June 2027. MSMEs with annual sales below RM50 million will be exempted from the above minimum wage policy.
- A minimum monthly salary of **RM2,500** will be introduced for semi-skilled workers and graduates, as part of the reforms of the wage framework.





Glossary for Reference

Abbreviations	Description
ACA	Accelerated Capital Allowance
AI	Artificial Intelligence
EV	Electric Vehicle
GSH	Global Services Hub
ICT	Information and Communications Technology
ITA	Investment Tax Allowance
JS-SEZ	Johor-Singapore Special Economic Zone
MOF	Ministry of Finance
MSME	Micro, Small and Medium Enterprise
P2P	Peer-to-Peer
PCA	Principal Customs Area
PTPTN	Perbadanan Tabung Pendidikan Tinggi Nasional
SAS	Self-Assessment System
SOCISO	Social Security Organisation
TVET	Technical and Vocational Education and Training
WHT	Withholding Tax
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

Scheme: HRD Corp Claimable Courses (SBL-KHAS)
MyCoID: 125828W (The Institute of Taxation Sdn Bhd)
Programme Code: 10001763070
Trainer: Mayadevi a/p Karpayah



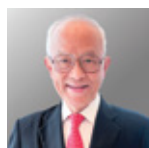
Certificate of Attendance

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

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