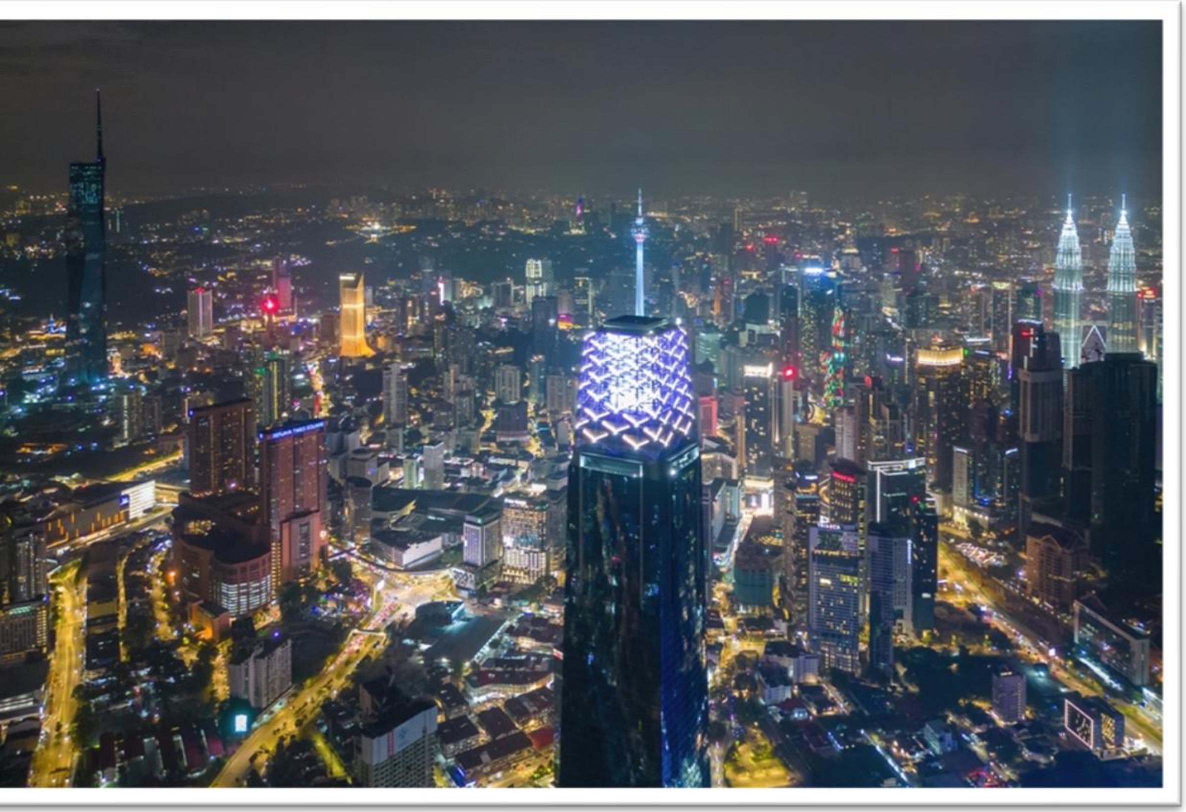


Malaysia Budget 2026

Fourth MADANI Budget:
A Budget for the People

Commentary by:
BoardRoom's Regional Tax Team

October 2025

Content

Page

Introduction

Malaysia Budget 2026: A Budget for the People

Malaysia's Budget 2026, themed "Fourth MADANI Budget: A Budget for the People", was tabled by Prime Minister Datuk Seri Anwar Ibrahim on 10 October 2025.

With a record allocation of RM470 billion, Budget 2026 focuses on three key priorities — enhancing national competitiveness, raising living standards, and strengthening governance, while reinforcing Malaysia's long-term commitment to fiscal prudence and structural reform.

Key Highlights of Tax Measures and Tax Reliefs

1. Business Tax Reforms and Incentives for Corporate Taxpayers

Budget 2026 introduces a series of targeted tax measures designed to encourage business reinvestment, digital transformation, and international competitiveness.

Key proposals include:

- Extension of the foreign-sourced income exemption until 2030, now broadened to cover cooperative societies and trust bodies, further enhancing Malaysia's appeal as a regional investment destination.
- Accelerated Capital Allowance ("ACA") on qualifying plant, machinery, and ICT equipment to promote digitalisation and productivity enhancement.
- Further tax deductions for Micro, Small and Medium Enterprises ("MSMEs") undertaking AI training programmes, supporting the upskilling of the local workforce.

.

To be continued on next page

Introduction

Page 2 of 3

Malaysia Budget 2026: A Budget for the People (continue)

2. Tax Measures and Reliefs for Individual Taxpayers

On the individual front, the Malaysian Government maintains current personal income tax rates while introducing targeted reliefs to help households manage the rising cost of living and promote domestic spending.

Notable measures include:

- Extended insurance relief of RM3,000 to cover children's insurance, providing greater family financial protection.
- Expansion of tax relief for purchase of environmental sustainability and home safety appliances.
- A new RM1,000 tax relief for domestic tourism expenses to stimulate local travel and hospitality sectors.

Additionally, profit distributions to individual partners of limited liability partnerships ("LLPs") will now be subject to income tax, ending previous exemptions. This policy change broadens the tax base and promotes equity between different business structures.

3. Revenue Enhancement and Fiscal Responsibility for Consumers and Businesses

To strengthen fiscal sustainability, the Malaysian Government is intensifying revenue and has introduced targeted indirect tax and stamp duty measures to strengthen compliance and revenue collection while limiting inflationary pressure.

To be continued on next page

Introduction

Malaysia Budget 2026: A Budget for the People (continue)

3. Revenue Enhancement and Fiscal Responsibility for Consumers and Businesses

Key measures include:
- Expansion of the sales tax scope on vehicles, ensuring a broader and more equitable tax base.
- Higher excise duties on alcohol and cigarettes to discourage consumption and raise public health standards.
- Digital tax stamps to combat illicit trade and enhance tax transparency.
- Increasing stamp duty on property ownership by foreigners.

Concluding remarks

Budget 2026 marks another step toward building a resilient, inclusive, and future-ready Malaysian economy. The Malaysian Government's emphasis on digitalisation, talent development, and fiscal responsibility reflects a long-term vision to strengthen Malaysia's competitiveness in an evolving global landscape.

As Malaysia continues its transformation journey, BoardRoom remains committed to supporting businesses and taxpayers in navigating the new regulatory landscape - helping them unlock growth opportunities, enhance resilience, and achieve sustainable success.

Prepared by:
Eunice Hooi, Managing Director, Asia, Tax & Accounting, BoardRoom Group
Victor Cheow, Senior Tax Manager, BoardRoom Malaysia
Tommy Lau, Assistant Tax Manager, BoardRoom Malaysia

Corporate Taxpayers and Businesses

Business Tax Reforms and Incentives for Corporate Taxpayers and Businesses

- Tax exemption for Foreign-Sourced Income ("FSI")
- Tax Deduction on Contributions for Integrity and Anti-Corruption Programmes / Activities
- Accelerated Capital Allowance ("ACA") for Plant, Machinery and ICT Equipment
- Further Tax Deduction for Training in Artificial Intelligence ("AI")
- Tax incentive for Scholarships
- Tax incentive for Employing Vulnerable Persons
- Extension of Tax Incentive for Employing Senior Citizens
- Accelerated Capital Allowance for Purchase of Speed Limitation Devices ("SLD") for Heavy Vehicles

Tax exemption for Foreign-Sourced Income ("FSI")

BoardRoom
Smart Business Solutions

The Malaysian Government has announced an extension and expansion of the tax exemption on FSI.

Under the enhanced FSI measure, the exemption will continue to apply to foreign-sourced dividend income, unit trust income, and gains from the disposal of capital assets abroad.

- Notably, the scope of eligible taxpayers has been broadened to include cooperative societies and trust bodies, alongside Malaysian resident companies and limited liability partnerships ("LLPs").
- This enhanced FSI exemption will be extended for an additional four years, covering the period from 1 January 2027 to 31 December 2030.

Effective from 1 Jan 2027 to 31 Dec 2030

Key Takeaways

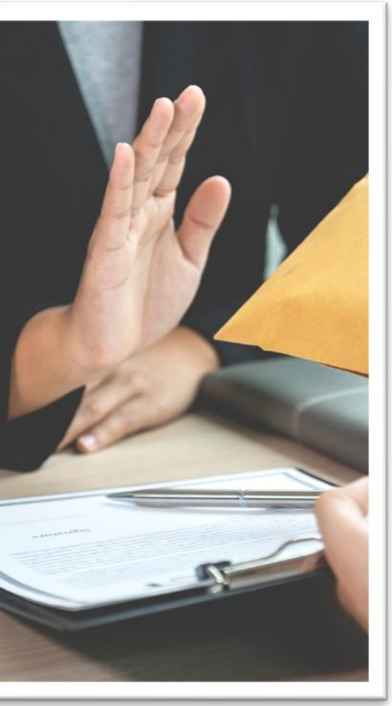
Broader eligibility: Cooperative societies and trust bodies can now benefit from the FSI exemption.

Extended timeframe: The exemption is available until 31 December 2030, providing certainty for planning.

Strategic planning: Businesses should review investment and holding structures to optimise tax efficiency.

Income repatriation: The extension allows for careful planning of foreign income repatriation under the exemption.

Tax Deduction on Contributions for Integrity and Anti-Corruption Programmes / Activities



To strengthen integrity and corporate governance, the Malaysian Government has introduced a new tax incentive for anti-corruption education programmes and activities organised by Civil Society Organisations ("CSOs").

- These initiatives will now be recognised as Projects of National Interest under Section 44(11C) of the Income Tax Act 1967, subject to compliance with conditions set by the Ministry of Finance ("MOF").

Under this measure, cash donations made to approved CSOs will qualify for a tax deduction equal to the amount contributed, up to 10% of aggregate income.

- This incentive encourages businesses to support anti-corruption initiatives while providing opportunities to align corporate social responsibility ("CSR") with effective tax planning.

For applications received by MOF from 1 Jan 2026 to 31 Dec 2028

Key Takeaways

Tax deduction: Cash donations to approved initiatives qualify for tax deduction.

Strategic opportunity: Businesses can align CSR initiatives with tax planning and compliance objectives.

Eligible CSOs: Businesses should identify eligible CSOs and maintain proper documentation for contributions to maximise tax benefits.

Accelerated Capital Allowance ("ACA") for Plant, Machinery and ICT Equipment

To encourage domestic investment and support the nation's digital transformation agenda, the Malaysian Government has introduced an ACA scheme for plant, machinery, and Information and Communication Technology ("ICT") equipment.

Under this scheme, qualifying expenditures ("QE") incurred from 11 October 2025 to 31 December 2026 can be fully claimed within two years, providing faster tax relief and improving cash flow for businesses.

QE	Capital Allowance Rate
Procurement of Heavy Machinery from local manufacturers	Initial Allowance: 20% Annual Allowance: 40%
Procurement of plant and general machinery acquired from local manufacturers	
Purchase of ICT equipment and computer software	
Consultation, licensing and incidental fees related to customised computer software development	

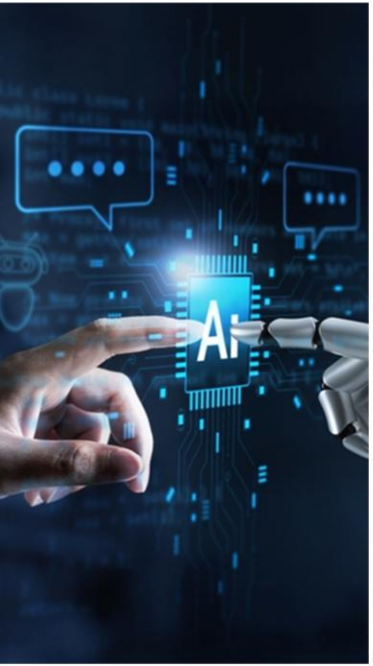
For QE incurred from 11 Oct 2025 to 31 Dec 2026

Key Takeaways

Review upcoming capital investments: Businesses should assess planned acquisitions of plant, machinery, and ICT equipment to determine eligibility under the ACA scheme.

Consider accelerating capital investments: Bring forward qualifying capital expenditures within the 2025–2026 window period allows businesses to maximise the 2-year full claim benefit.

Further Tax Deduction for Training in Artificial Intelligence ("AI")



To support the integration of AI into business operations, the Malaysian Government has proposed a further tax deduction of 50% for Micro, Small and Medium Enterprises ("MSMEs").

- This applies to AI training programs recognised by the MyMahir National AI Council for Industry ("NAICI"), including programmes where contributions are made to the Human Resources Development Fund ("HRDF").

Eligible businesses can claim this deduction once every two years, providing a cost-effective avenue to upskill their workforce and strengthen AI capabilities.

- This initiative aligns with Malaysia's broader push to enhance digital adoption and competitiveness in the evolving technological landscape.

Application to TalentCorp from 1 Jan 2026 to 31 Dec 2027

Key Takeaways

Encouraging AI Integration: MSMEs are incentivised to develop AI capabilities, enhancing competitiveness and operational efficiency.

Cost-Effective Upskilling: The tax deduction helps reduce training costs, making workforce AI education more accessible.

Strategic Workforce Development: Supports long-term business growth by aligning employee skills with technological advancement.

Tax Incentive for Scholarship

To support greater access to higher education and technical skills training, the Malaysian Government introduces enhancements to the tax incentive for companies providing sponsorships to students.

- Eligible sponsorships now cover students pursuing technical and vocational skills training, as well as higher education at the Diploma, Bachelor's, Master's, and Doctorate levels, and companies may claim double tax deductions for qualifying contributions.

Key enhancements include:

- **Expanded eligibility:** Double tax deduction now applies to scholarships for Technical and Vocational Education Certificate (Sijil Teknik Vokasional), Diploma, and Bachelor's Degree programmes.
- **Inclusion of professional certifications:** The incentive now extends to approved professional certification programmes.
- **Higher household income ceiling:** Eligible students' household income threshold increased to RM15,000 per month.
- **Extended duration:** The enhanced incentive will be available for an additional five years, encouraging sustained corporate participation in talent development initiatives.

Effective from Year of Assessment 2026

Key Takeaways

Review scholarship programmes: Businesses planning to offer scholarships as part of their CSR strategy should assess their existing programmes to ensure alignment with the updated eligibility criteria.

Maximise tax benefits: Leveraging this enhanced incentive can optimise corporate tax efficiency while contributing to workforce development.

Tax incentive for Employing Vulnerable Persons

The Malaysian Government has announced the extension of the existing tax incentive that provides further tax deduction to employers hiring vulnerable groups.

- Eligible employees include ex-convicts, ex-drug dependants, parolees, supervised persons, inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department, as well as individuals in cure and care rehabilitation centres registered under the Department of Social Welfare.

Previously set to lapse in YA 2025, this incentive will now be extended for another five years.

- The scope has also been expanded to cover Prisoners Released on Licence under the Prisons Act 1995, and drug/substance dependants and misusers undergoing treatment and rehabilitation under the Drug and Substance Dependants and Misusers (Treatment and Rehabilitation) Act 1983.

Effective from Year of Assessment 2026

Key Takeaways

Supporting social reintegration: Encourages employers to play an active role in facilitating the reintegration of vulnerable individuals into the workforce, contributing to social inclusion and rehabilitation outcomes.

Enhancing tax and cost efficiency: Provides a financial incentive through further tax deductions, reducing overall employment costs for participating employers.

Extension of Tax Incentive for Employing Senior Citizens

BoardRoom
Smart Business Solutions

Under Budget 2026, the Malaysian Government proposes to extend the further tax deduction for an additional five years on remuneration paid to senior citizens aged 60 and above, subject to the following conditions:

- The individual is employed on a full-time basis.
- The individual's monthly remuneration does not exceed RM4,000.
- The employer and employee are not the same individual.
- The employee has no familial relationship with the employer.

This extension reflects the Malaysian Government's commitment to promoting inclusive employment and social protection, supporting Malaysia's transition into an ageing society.

Effective from
Year of Assessment 2026

Key Takeaways

Encouraging senior employment: Supports businesses in hiring and retaining senior employees, leveraging their experience and skills.

Enhancing tax and cost Efficiency: Provides an additional tax deduction, lowering the overall employment cost for eligible senior staff.

Accelerated Capital Allowance ("ACA") for Purchase of Speed Limitation Devices ("SLD") for Heavy Vehicles

The Malaysian Government introduces an ACA incentive for the purchase of Speed Limitation Devices ("SLD") to promote road safety.

Eligible expenditures of up to RM4,000 per device for heavy vehicles will qualify for ACA, comprising a 20% Initial Allowance and an 80% Annual Allowance, subject to the following conditions:

- **Certification Requirement:** SLD retrofit installation must be certified by a verification body recognised by the Road Transport Department.
- **Vehicle Eligibility:** Applies only to heavy vehicles manufactured before 1 January 2015 that are not already equipped with SLD devices, specifically:
    - Goods vehicles with a Gross Vehicle Weight ("GVW") exceeding 3,500 kg.
    - Passenger vehicles with a GVW exceeding 5,000 kg and designed to carry more than 8 passengers.
- **Exclusion:** ACA is not claimable for replacement of existing SLD devices.

Effective from
1 Jan to 31 Dec 2026

Key Takeaways

Fleet safety upgrade: Provides a timely opportunity for businesses to upgrade older vehicle fleets with certified SLD technology.

Tax efficiency: Allows full utilisation of the ACA benefit within a single year, improving cash flow and lowering effective tax costs.

Compliance incentive: Encourages adherence to road safety regulations while supporting corporate ESG initiatives.

Individual Taxpayers

Tax Measures and Tax Reliefs for Individual Taxpayers

- Imposition of Tax on Profit Distributions Received by Individual Partners in a Limited Liability Partnership

- Tax Reliefs on:
    - Vaccination for Self, Spouse and Child
    - Medical Expenses incurred for Self, Spouse or Child
    - Insurance Premium or Takaful Contributions of Life, Education, and Medical Insurances
    - Childcare Centre or Kindergarten Fees
    - Environmental Sustainability and Home Safety-Related Expenditure
    - Entrance Fees to Local Tourist Attractions and Cultural Programmes

Imposition of Tax on Profit Distributions Received by Individual Partners in a Limited Liability Partnership ("LLP")

BoardRoom
Smart Business Solutions

Effective from Year of Assessment 2026

To enhance progressivity in the individual income tax system and broaden the national tax base, the Malaysian Government proposes a 2% tax on chargeable income arising from profit distributions received by individual partners of LLPs, after accounting for allowable reliefs and deductions.

This measure will apply to both resident and non-resident individual partners whose annual profit distributions from LLPs exceed RM100,000, effective from Year of Assessment 2026.

Partners are required to report profit distributions from LLPs in their Income Tax Return Form for the relevant basis year.

Key Takeaways

Assess Income Exposure: Individual partners should evaluate potential tax impact on profit distributions from LLPs.

Ensure Accurate Reporting: Properly declare LLP profit distributions in the Income Tax Return Form starting from Year of Assessment 2026.

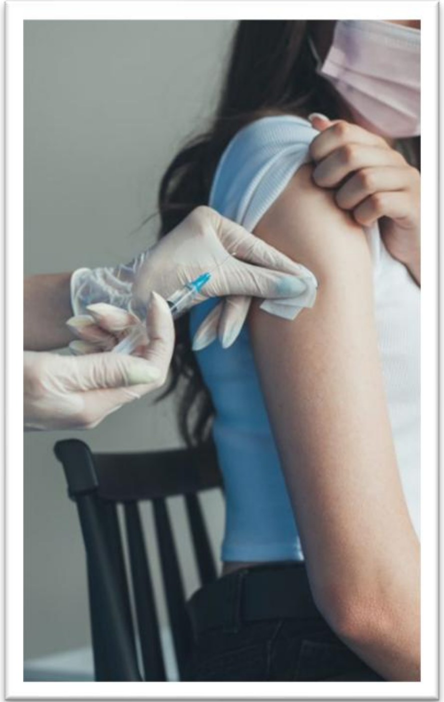
Expansion Tax Relief – Vaccination for Self, Spouse and Child

BoardRoom
Smart Business Solutions

The 2026 Budget expands tax relief on vaccination expenses for individuals to cover self, spouse, and children for all vaccines registered with and approved by the National Pharmaceutical Regulatory Agency under the Ministry of Health, effective from Year of Assessment 2026.

This initiative supports the national health system's focus on preventive healthcare by prioritising disease prevention over treatment and reinforcing public awareness of vaccination as a key component of preventive health management.

Effective from Year of Assessment 2026



Key Takeaways

Eligibility Review: Individual taxpayers should assess their eligibility for the expanded vaccination tax relief.

Documentation: Retain proper receipts and supporting documents to ensure full claims for approved vaccines for themselves, their spouse, and children.

Maximise Benefits: Leverage the expanded scope to claim relief for a broader range of vaccines, aligning with the Ministry of Health's approved list.

Expansion of Tax Relief – Medical Expenses incurred for Self, Spouse or Child

BoardRoom
Smart Business Solutions

Effective from Year of Assessment 2026

To strengthen support for early intervention and rehabilitation for children with learning disabilities, the Malaysian Government has expanded tax relief for child development and rehabilitation expenses effective Year of Assessment 2026.

Tax relief for assessment, diagnosis, early intervention, and continuous rehabilitation for children under 18 with learning disabilities has increased from RM6,000 to RM10,000.

This enhancement is intended to ease the financial burden on families and encourage early and sustained intervention, ultimately supporting better developmental outcomes for children over time.

Key Takeaways

Targeted Support for Children: The increased relief specifically benefits parents of children under 18 with learning disabilities, providing greater support for early intervention and rehabilitation efforts.

Expansion of Tax Relief – Insurance Premium or Takaful Contributions of Life, Education, and Medical Insurance

BoardRoom
Smart Business Solutions

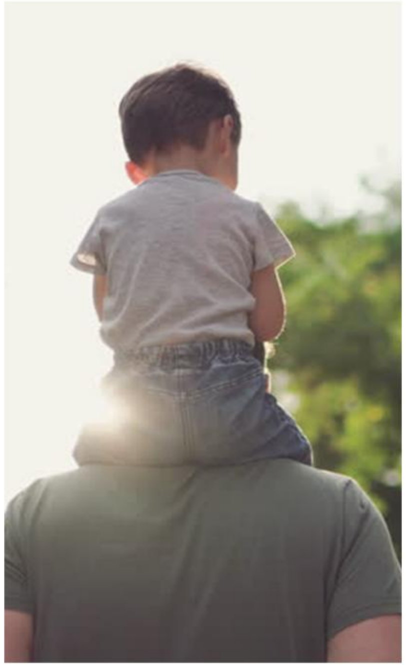
Effective from Year of Assessment 2026

To promote wider insurance and takaful participation, particularly for family and child protection, the Malaysian Government proposes to extend the existing individual income tax relief of up to RM3,000 (currently applicable for self and spouse) to include life insurance premiums or takaful contributions paid for children.

In addition, the eligibility criteria for insured children for claiming relief on life, education, or medical insurance premiums will be clarified as follows:

- Children aged below 18 and unmarried;
- Children aged 18 and above, unmarried, and pursuing tertiary education; or
- No age limit for unmarried disabled children.

This initiative aims to encourage long-term financial planning among households, improve insurance coverage for dependents, and support the takaful industry's growth in Malaysia.



Key Takeaways

Maximising Family Tax Efficiency: Individual taxpayers can now include children under their life or medical insurance/takaful policies to optimise overall household tax relief claims.

Encouraging Family Protection Planning: Families are incentivised to adopt broader insurance coverage, strengthening financial resilience against unforeseen health or income disruptions.

Positive Outlook for Insurers and Takaful Providers: The expanded scope of eligible premiums is expected to drive increased policy uptake, benefiting the insurance and takaful sectors through higher participation rates.

Expansion of Tax Relief - Childcare Centre or Kindergarten Fees

BoardRoom
Smart Business Solutions

Effective from Year of Assessment 2026

The Malaysian Government's decision to expand the tax relief for childcare centre or kindergarten fees reflects a continuing commitment to support working parents and enhance early childhood care accessibility.

- Beginning from the Year of Assessment ("YA") 2026, this measure broadens the coverage to include daily care centres and after-school transit centres registered with the Department of Social Welfare, while also extending eligibility to children up to 12 years old (previously limited to age 6).

Furthermore, the previously time-bound RM1,000 relief has now been made permanent and combined with the existing RM2,000 relief, resulting in a total claimable amount of RM3,000 per year.

- This consolidation not only simplifies the relief structure but also provides sustained tax savings for parents who rely on formal, registered childcare facilities.

From a broader socio-economic perspective, this initiative reinforces workforce participation among parents, particularly mothers, by alleviating some of the financial burden associated with childcare. It also encourages the use of registered and compliant childcare facilities, promoting higher quality standards in early childhood and after-school care.

Key Takeaways

Eligibility: Ensure that the childcare, daily care, or after-school transit centre is registered with the Department of Social Welfare to qualify for the relief.
Documentation: Keep official receipts from registered centres as supporting evidence for tax filing.
Coverage: Relief applies to children up to 12 years old, expanding eligibility for more families.
Tax Impact: The RM3,000 total relief helps reduce taxable income and provides long-term support for working parents managing childcare expenses.

Expansion of Tax Relief - Environmental Sustainability and Home Safety-Related Expenditure

BoardRoom Smart Business Solutions

Effective from Year of Assessment 2026 to 2027

The Malaysian Government has expanded the current tax relief for expenses incurred on electric vehicle (EV) charging facilities and food composting machines. The expansion of the tax relief to cover household food waste grinders and Closed-Circuit Television ("CCTV") systems for home use reflects the Government's continued emphasis on sustainable and secure living environments.

- By incentivising the adoption of green and smart home technologies, this measure aligns with Malaysia's broader environmental sustainability and safety agenda. Allowing the relief to be claimed once within two Years of Assessment (YA 2026 or YA 2027) provides flexibility for taxpayers to plan their purchases and manage household budgets effectively.

From a policy standpoint, this initiative reinforces the Malaysian Government's dual commitment to environmental protection, by reducing food waste and to household safety through the installation of surveillance systems.

- While the quantum of relief remains limited to individuals, the policy indirectly stimulates demand for eco-friendly appliances and smart home technology, potentially benefitting local retailers, importers, and service providers in the green technology and home security sectors.

Key Takeaways

Proper Documentation: Individual taxpayers should retain proof of purchase, such as receipts and product specifications, to substantiate their claims during tax filing or any subsequent review by the Inland Revenue Board (IRB).

Planning of Expenditure: As the relief can be claimed only once across YA 2026 or YA 2027, individual taxpayers may consider timing their eligible purchases strategically to maximise the tax benefit.

Market Opportunities for Businesses: Suppliers and service providers of green appliances and smart home systems may see increased demand, especially if they position their products as eligible for tax relief and align their marketing with sustainability goals.

Tax Relief - Entrance Fees to Local Tourist Attractions and Cultural Programmes

Effective from Year of Assessment 2026

To support domestic tourism and promote cultural engagement under Visit Malaysia Year 2026, individual taxpayers are eligible for income tax relief of up to **RM1,000** for entrance fees to:

- Tourist attractions including museums, theme parks, national parks, marine parks, zoos, and geoparks.
- Cultural and art programmes covering exhibitions, performances, and other cultural events.

This measure aims to encourage Malaysians to explore local destinations and participate in cultural activities, while providing a financial incentive for doing so.

Key Takeaways

Tax Planning Opportunity: Eligible taxpayers can leverage this relief to offset part of their income tax liability while supporting local tourism.

Keep Documentation: Retain official receipts for all eligible entrance fees.

Clarification Pending: The authorities may provide further guidance on the exact definitions and scope of “tourist attractions” and “cultural programmes”.

Consumers and Businesses

Revenue Enhancement and Fiscal Responsibility for Consumers and Businesses

- Imposition of Sales Tax & Duties on Luxury Cars
- Extension of Sales Tax & Excise Duty Exemptions for Purchase of New Car by Private Taxi and Rental Car Owners
- Sales Tax & Import Duty Exemptions – Nicotine Replacement Therapy ("NRT") Products
- Increase in Excise Duty Rate
- Introduction of Digital Tax Stamp
- Stamp Duty Exemption on Employment Contract
- Stamp Duty on Property Ownership by Non-Citizens
- Extension of Stamp Duty Exemption for Purchase of First Residential Home
- Extension of Stamp Duty Exemption for Perlindungan Tenang Products
- Extension of Stamp Duty Exemption on Insurance Policies or Takaful Certificates with Low Annual / Contribution
- Stamp Duty on Contract Notes for Buy-Side Transactions of Structured Warrants

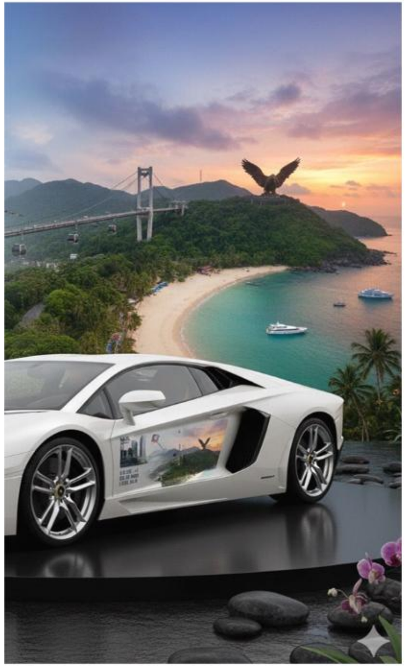
Imposition of Sales Tax & Duties on Luxury Cars

BoardRoom
Smart Business Solutions

Langkawi and Labuan have historically offered substantial tax exemptions on vehicle purchases, positioning them as strategic hubs for acquiring high-end models.

Effective 1 January 2026, import duty, excise duty, and Sales Tax will apply to vehicles with a value exceeding RM300,000, imported or brought into Langkawi or Labuan.

Effective date
1 Jan 2026



Key Takeaways

Revenue Protection: The Malaysian Government aims to safeguard national revenue by closing loopholes that previously allowed high-net-worth individuals to exploit Langkawi and Labuan's tax-free vehicle status.

Impact on Vehicle Purchases: Buyers of luxury vehicles above RM300,000 should anticipate higher costs due to the combined import, excise, and sales taxes.

Strategic Implications: Langkawi and Labuan remain attractive for tourism and business, but the tax-free vehicle advantage for luxury cars is now significantly curtailed.

Extension of Sales Tax & Excise Duty Exemptions for Purchase of New Car by Private Taxi and Rental Car Owners

To support individual taxi owners and hired car operators affected by the COVID-19 pandemic, excise duty and sales tax exemptions were initially introduced in the Budget 2023.

In the 2026 Budget, the Malaysian Government has announced that these exemptions will continue to apply, specifically for the purchase of new national car models - PROTON and PERODUA.

Key Takeaways

Financial Relief: Private taxi owners and rental car operators will continue to benefit from lower acquisition costs due to the exemption, easing cash flow pressures.

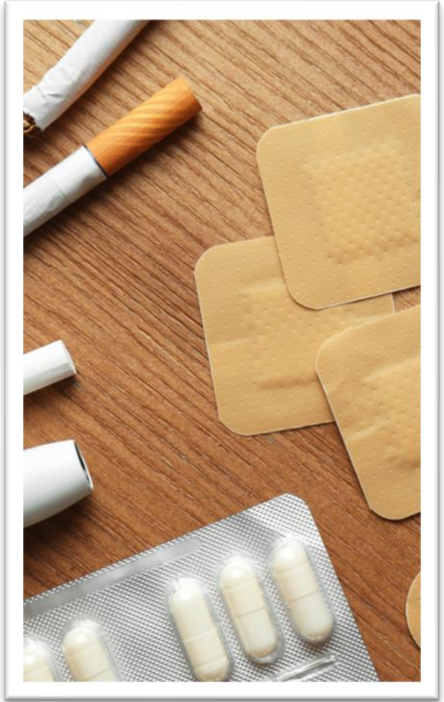
Support for National Industry: By incentivising the purchase of PROTON and PERODUA vehicles, the policy helps strengthen Malaysia’s domestic automotive sector.

Sales Tax & Import Duty Exemptions – Nicotine Replacement Therapy ("NRT") Products

BoardRoom
Smart Business Solutions

In 2026 Budget, the Malaysian Government has announced an extension and expansion of import duty and sales tax exemptions on NRT products to include nicotine mist and nicotine lozenges. This move aligns with public health initiatives to support smoking cessation.

Products	Tariff Code	Import Duty	Sales Tax	Current	Proposed
Nicotine Gum	2404.91.1000	15%	5%	Import duty and sales tax exemption from 1 April 2023 to 31 March 2026	Import duty and sales tax to be extended until 31 December 2027
Nicotine Patch	2404.92.1000	0%	10%		
Nicotine Mist	2404.91.9000	15%	5%	Not applicable	Import duty and sales tax exemption from 11 October 2025 to 31 December 2027
Nicotine Lozenges		0%	10%		



Key Takeaways

Support for Public Health Programmes: This measure reflects the Malaysian Government's commitment to the mQuit programme and the Lung Health Initiative, aimed at providing accessible smoking cessation treatments.

Cost Relief for Businesses and Consumers: Eligible NRT products benefit from lower costs, encouraging uptake and making cessation aids more affordable.

Increase in Excise Duty Rate

The Malaysian Government's 2026 Budget introduces several key measures aimed at promoting public health and enhancing fiscal revenue through targeted excise duty increases. These adjustments reflect a strategic shift towards healthier consumption patterns while bolstering Government finances.

Products	Tariff codes	Current	Proposed	Effective Date
Cigarettes	2402.20.2000 2402.20.9000 2402.90.2000	RM0.40 / stick or RM8 / packet	RM0.42 / stick or RM8.40 / packet	1 Nov 2025
Cigars, cheroots and cigarillos	2402.10.0000 2402.90.1000	RM400 / kg	RM440 / kg	1 Nov 2025
Heated tobacco products	2404.11.0000	RM778 / kg of tobacco content	RM798 / kg of tobacco content	1 Nov 2025
Alcoholic beverages	Selected items	Current rate as enforced by the RMCD	Increased by 10%	1 Nov 2025

Key Takeaways

Health Promotion: The excise duty hikes are part of the Malaysian Government's broader "Healthier Malaysia" initiative, aiming to reduce the prevalence of smoking and excessive alcohol consumption.
Consumer Impact: Consumers can expect higher retail prices for affected products, which may influence purchasing behavior and consumption patterns.
Business Implications: Businesses in the tobacco and alcoholic beverage sectors may face increased operational costs and pricing strategies adjustments.

Introduction of Digital Tax Stamp

The Royal Malaysian Customs Department ("RMCD") will introduce a digital tax stamp with enhanced security features to address revenue leakages at national entry points.

This initiative will be complemented by the establishment of a Centralised Screening Complex, equipped with closed-circuit television ("CCTV") surveillance at strategic border locations, aimed at strengthening monitoring and enforcement capabilities.

Key Takeaways

Enhanced Revenue Protection: The digital tax stamp helps prevent revenue leakages and ensures accurate collection at entry points.

Strengthened Enforcement: Centralised screening and CCTV surveillance improve compliance monitoring and deterrence against tax evasion.

Digitalisation in Tax Administration: Demonstrates the Malaysian Government's commitment to leveraging technology for more efficient and secure tax administration.

Stamp Duty Exemption on Employment Contract

BoardRoom
Smart Business Solutions

To reduce the cost of doing business and encourage formal employment arrangements, the Malaysian Government proposes to increase the wage threshold for stamp duty exemption on employment contracts from RM300 to RM3,000 per month.

This exemption will apply to employment contracts executed from 1 January 2026.

This initiative reflects the Malaysian Government's focus on enhancing labour formalisation and reducing compliance costs for businesses, particularly micro, small and medium enterprises ("MSMEs"). By raising the exemption threshold, the measure provides meaningful relief to employers engaging lower-income workers under formal contracts, thereby promoting fair employment practices and reducing reliance on informal arrangements.

From a broader perspective, this move aligns with the Malaysian Government's agenda to strengthen social protection coverage and improve employment documentation standards, which could support data-driven policymaking and workforce planning.

Effective from 1 Jan 2026

Key Takeaways

Encouragement of Formal Employment: The measure incentivises formal hiring, helping improve job security and transparency for employees earning up to RM3,000 per month.

Cost Relief for Employers: Employers, especially MSMEs, stand to benefit from lower administrative and compliance costs when formalising employment contracts.

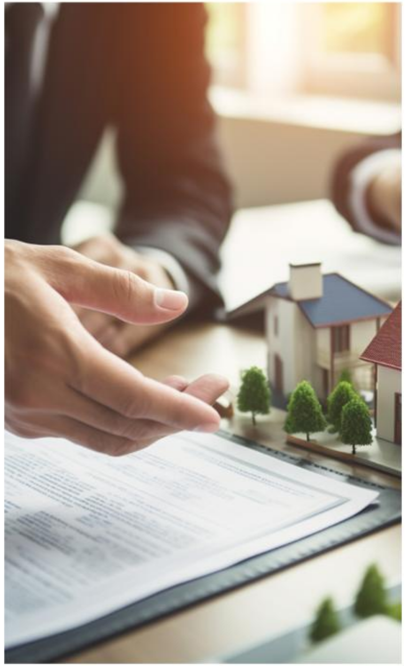
Review of Existing Employment Contracts: Employers should review and update employment contract templates to ensure compliance with the revised exemption threshold effective from 1 January 2026.

Stamp Duty on Property Ownership by Non-Citizens

To maintain a competitive property market and address rising housing prices, the Malaysian Government has proposed to increase the fixed stamp duty rate on instruments of transfer for residential properties executed by non-citizen individuals (excluding Malaysian permanent residents) and foreign companies. The rate will be raised from 4% to 8%, effective for instruments of transfer executed on or after 1 January 2026.

This measure aims to curb speculative demand from foreign buyers while ensuring greater accessibility for Malaysian citizens in the residential property market. However, the significant rate hike may also impact Malaysia's attractiveness to foreign investors and expatriates seeking residential properties, especially in key markets such as Kuala Lumpur, Penang, and Johor Bahru.

Effective from 1 Jan 2026



Key Takeaways

Timing of Acquisition: Non-citizen individuals and foreign companies should assess their ongoing or planned property acquisitions and consider completing the transfer before 1 January 2026 to benefit from the existing 4% rate.

Strategic Ownership Structuring: Evaluate ownership structures and holding entities to optimise transaction costs and long-term investment efficiency, taking into account the higher stamp duty exposure.

Market Implications: Developers and real estate investors may anticipate a short-term surge in foreign transactions before year-end 2025, followed by potential cooling in demand in early 2026 as the higher rate takes effect.

Extension of Stamp Duty Exemption for Purchase of First Residential Home

BoardRoom
Smart Business Solutions

Effective from 1 Jan 2026 to 31 Dec 2027

To continue supporting homeownership among Malaysian citizens, particularly young adults and middle-income earners, the Malaysian Government proposes to extend the full stamp duty exemption on instruments of transfer and loan agreements for the purchase of a first residential home priced up to RM500,000.

This measure will apply to sale and purchase agreements executed from 1 January 2026 to 31 December 2027. The two-year extension until 31 December 2027 provides continued relief for eligible first-time homebuyers, maintaining housing affordability momentum amid a challenging property market.

Key Takeaways

Reduced Entry Barriers: By lowering upfront transaction and financing costs, the exemption eases financial pressure on young professionals and middle-income families, supporting greater participation in the property market.

Timing Opportunities for Buyers: Prospective homeowners are encouraged to time their purchases within the extended exemption period to maximise savings and capitalise on reduced acquisition costs.

Positive Impact on the Property Sector: The measure is expected to stimulate residential property demand, particularly in the affordable housing segment, benefiting developers and financial institutions that cater to first-time buyers.

Extension of Stamp Duty Exemption for Perlindungan Tenang Products

Effective from 1 Jan 2026 to 31 Dec 2028

To promote broader access to affordable insurance and takaful coverage, particularly among low- and middle-income groups, the Malaysian Government proposes to extend the 100% stamp duty exemption on insurance policies and takaful certificates for all *Perlindungan Tenang* products. These products cover family, life, and general insurance/takaful with premiums or contributions not exceeding RM150.

This exemption will apply to policies and certificates issued from 1 January 2026 to 31 December 2028.

Key Takeaways

Continued Relief for Low- and Middle-Income Individuals: Eligible individuals will maintain full stamp duty relief on *Perlindungan Tenang* insurance policies and takaful certificates until the end of 2028.

Promotion of Financial Inclusion: The measure encourages greater uptake of affordable protection products, supporting broader financial security across key population segments.

Implications for Businesses: Insurers and takaful providers may experience increased demand for *Perlindungan Tenang* products, strengthening the market for affordable insurance solutions.

Extension of Stamp Duty Exemption on Insurance Policies or Takaful Certificates with Low Annual / Contribution

BoardRoom
Smart Business Solutions

Effective from 1 Jan 2026 to 31 Dec 2028

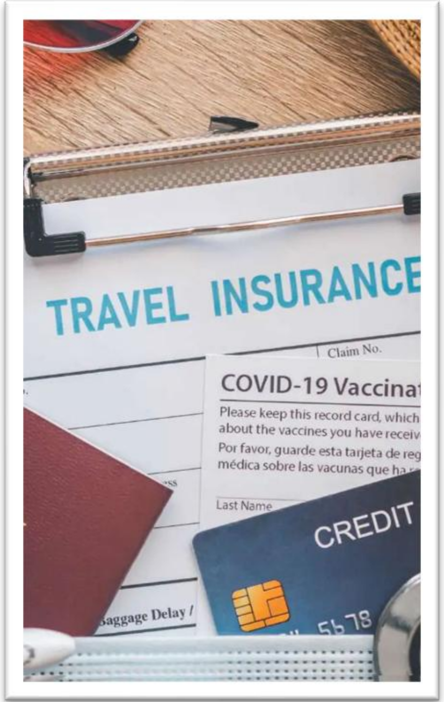
To enhance access to basic risk protection for individuals and Micro, Small and Medium Enterprises (MSMEs), the Malaysian Government proposes to extend the 100% stamp duty exemption on insurance policies and takaful certificates with low annual premiums or contributions.

The exemption applies to:

- **Individuals:** Policies or certificates with annual premiums/contributions not exceeding RM150.
- **MSMEs:** Policies or certificates with annual premiums/contributions not exceeding RM250.

Eligible coverage includes liability, fire, travel, engineering, personal accident, and business interruption due to fire.

The exemption will apply to policies and certificates issued from 1 January 2026 to 31 December 2028.



Key Takeaways

Continued Access to Affordable Protection: With the exemption extended to 31 December 2028, individuals and MSMEs can maintain basic insurance and takaful coverage without incurring stamp duty.
Support for Risk Management: The measure encourages broader adoption of risk protection solutions, mitigating potential financial losses for individuals and small businesses.

Stamp Duty on Contract Notes for Buy-Side Transactions of Structured Warrants

BoardRoom
Smart Business Solutions

To further promote capital market growth and enhance Malaysia's regional competitiveness, the Malaysian Government has proposed a stamp duty exemption on contract notes for buy-side transactions of structured warrants listed on Bursa Malaysia.

The exemption will apply to transactions executed from 1 January 2026 to 31 December 2028.

Effective from 1 Jan 2026 to 31 Dec 2028

Key Takeaways

Strengthening Regional Competitiveness: By reducing fiscal barriers, Malaysia aims to position itself as a more attractive investment hub relative to other regional capital markets.

Encouraging Market Participation: The exemption is expected to lower transaction costs for investors, thereby attracting more participants to the structured warrants market.

Time-Bound Benefit: Businesses and investors should plan their transactions within the 2026–2028 window to take advantage of the stamp duty relief.

How we can help

Embracing a client-centric approach, our team is committed to delivering strategic tax advisory and solutions, ensuring compliance and maximising opportunities for our clients across diverse tax jurisdictions.

Connect with us. We look forward to assisting you in navigating the complexities of taxation in today's dynamic business landscape, driving financial success and building lasting partnerships.

Eunice Hooi
Managing Director Asia, Tax & Accounting
T: +65 6535 5355
E: eunice.hooi@boardroomlimited.com

General email enquiry :
info.my@boardroomlimited.com

www.boardroomlimited.com

About BoardRoom

BoardRoom is Asia Pacific's leader in Corporate and Advisory Services with a strong and reputable 50-year track record. Headquartered in Singapore we are ranked amongst Forbes Asia's Top 200 Companies under a Billion. With our strong presence in the region, and a direct office presence in Singapore, Malaysia, Hong Kong, China and Australia, we are well positioned to support you.

Our smart business solution suite comprises the following services:

- Global Tax & Accounting
- Regional Payroll
- Corporate Secretarial
- Sustainability Services & Advisory
- Share Registry
- Employee Share Plans
- Fund Solutions

Get in touch with us today to take your business further, faster.

Scan to learn more about our services.

BoardRoom
Smart Business Solutions

This commentary has been prepared for general informational purposes only. Whilst every effort has been made to ensure accuracy, Boardroom Group ("BoardRoom") will accept no responsibility for errors and omissions howsoever caused.

The information should not be relied on as professional advice and should not be regarded as a substitute for detailed advice in individual circumstances where the services of a competent professional adviser should be sought. No warranty, express or implied, is given as to the report's accuracy, completeness or fitness for a particular purpose. Legal restrictions may apply to the distribution of information regarding certain BoardRoom services in some jurisdictions.

This report is not intended for the use of persons located in those jurisdictions to which the abovementioned restrictions apply. It is the responsibility of those accessing this report to ensure that they are aware of all relevant restrictions that apply to them.