

Malaysia Budget 2027

Key Tax Updates & Implications
By BoardRoom Malaysia's Regional Tax Team

October 2026

BoardRoom
Smart Business Solutions



Contents

01

Foreword

02

Business Tax Reforms

03

Individual Income Tax & Reliefs

04

Indirect Taxes

Foreword

The tax measures announced under Malaysia Budget 2027 are generally moderate in nature. While individuals will benefit from targeted personal income tax reductions and enhancements to selected tax reliefs, businesses can expect policy continuity rather than significant tax reforms.

The focus remains on supporting household spending, encouraging investment and business expansion through the extension and enhancement of selected tax incentives, while maintaining a stable and competitive tax environment.

Overall, Malaysia Budget 2027 reflects a balanced approach to supporting economic growth through targeted tax measures while preserving fiscal sustainability.

Business Tax Reforms



Income Tax Rates For Micro, Small and Medium Enterprises (MSMEs)

Effective from Year of Assessment 2027.

To strengthen the competitiveness of MSMEs and support economic growth, a reduction in corporate income tax rates has been proposed. This measure is expected to ease the tax burden on qualifying MSMEs and improve their cash flow, enabling greater investment in business growth and expansion.

CURRENT POSITION

Chargeable Income Band (RM)	Tax Rate (%)
First 150,000	15
150,001 – 600,000	17
Exceeding 600,000	24

PROPOSAL

Chargeable Income Band (RM)	Tax Rate (%)
First 150,000	14
150,001 – 600,000	16
Exceeding 600,000	24

Capital Allowance for Small Value Assets

To support businesses in managing rising operating costs, the Malaysian Government has introduced enhancements to the capital allowance treatment for small-value assets, as outlined below.

The value of each small-value asset eligible for capital allowance claims will be increased from RM2,000 to RM3,000; and

The annual capital allowance limit for small-value assets claimable by companies other than MSMEs will be increased from RM20,000 to RM30,000 for each year of assessment.

Enhanced cash flow: Allows immediate tax deductions on a larger amount of qualifying low-value assets, thereby reducing taxable income in the year of acquisition.

Reduced compliance burden: Simplifies the tracking and administration of capital allowances for low-value assets.

Effective from Year of Assessment 2027.



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

Effective date: For qualifying capital expenditure incurred from 1 January 2027 until 31 December 2030.

To stimulate domestic direct investment and accelerate the adoption of digital technologies by businesses, the Malaysian Government has proposed a **4-year extension** of the ACA incentive for qualifying capital expenditures.

Qualifying Capital Expenditure	Capital Allowance Rate
Procurement of heavy machinery from local manufacturers	Initial Allowance: 20% Annual Allowance: 40%
Procurement of plant and general machinery from local manufacturers	
Purchase of ICT equipment and computer software package	
Consultation, licensing and incidental fees related to the development of customised computer software	



Opportunity for Tax Optimisation: Businesses should review their upcoming capital expenditure (capex) plans to maximise the benefits of accelerated capital allowances before the incentive expires.

Tax Deduction on Salary Expenses

Effective from Year of Assessment 2028.

The existing tax deduction for salary expenses under Section 33 of the Income Tax Act 1967 (ITA) will be restricted to salaries paid through financial institutions or other cashless payment instruments prescribed under the Employment Act 1955.

This proposal aims to enhance transparency in employers' financial transactions and encourage the adoption of cashless salary payment practices. The restriction will not apply to Micro, Small and Medium Enterprises (MSMEs).

“ **Payroll Process Review:** Employers currently relying on cash salary payments should review their existing payroll arrangements and transition to prescribed cashless payment methods to ensure continued tax deductibility of salary expenses.

Documentation and Audit Readiness: Employers will need to maintain adequate documentation of salary payments made through prescribed channels to substantiate the deductibility of salary expenses during tax audits and investigations.



Tax Deduction for Repayment of National Higher Education Fund Corporation (PTPTN) Loan by Employers

Effective for PTPTN loan repayments made by employers from 1 January 2027 until 31 December 2028.

The Malaysian Government has announced the reintroduction of the tax deduction incentive, originally introduced under Budget 2019, for employers who repay PTPTN loans on behalf of their employees, subject to the following qualifying conditions:

- The employer must not require the employee to make any payment in consideration of the PTPTN loan repayment made by the employer;
- The employee must be employed on a full-time basis; and
- The employee must not be the business owner or have any family relationship with the employer.



Promotes Employee Financial Well-being: Encourages employers to provide meaningful financial support to employees by assisting with the repayment of PTPTN loans.

Supports Talent Retention: Provides employers with a tax-efficient employee benefit that can enhance staff retention, employee engagement and employer attractiveness.



Review of Green Technology Tax Incentives

To accelerate Malaysia's transition to a low-carbon economy, the Government has proposed enhancements to the Green Technology Tax Incentives through an expanded scope of qualifying assets and green technology projects.

Effective Dates:
GITA Projects: Applications received from MIDA from 1 January 2027 to 31 December 2030.
GITA Assets: Qualifying green technology assets verified by MGTC and acquired from 1 January 2027 to 31 December 2030.

Qualifying Capital Expenditure	Existing Scope	Proposed Scope
GITA projects – For business	GITA of 100% for specified qualifying projects, subject to applicable 3 tiers and conditions.	Tier 1: GITA of up to 100%; Scope expanded to include Ocean Thermal Energy Conversion Tier 2: GITA of 60%; Scope expanded to include Renewable Energy System, namely Biomass, Biogas, Mini Hydro, Geothermal and Wind Energy
GITA Assets – Own Consumptions	Tier 1 – GITA of 100%: - List of qualifying assets approved by the Ministry of Finance (MOF) - Battery Energy Storage System (BESS) - Green building Tier 2 – GITA of 60%: - List of qualifying assets approved by MOF - Renewable Energy System - Energy efficiency	Tier 1 – GITA of 100%: a) List of qualifying assets approved by MOF: - Bus, Van, Panel MPV, Movers, Terminal Tractor, Forklift, Lorry/Light Truck, Lorry and Heavy Vehicle (including prime mover) - EV infrastructure, Waste composting and recycling system, Wastewater recycling and rainwater harvesting system (locally produced) b) Renewable Energy Integrated System (Biomass, Biogas, Mini Hydro, Solar, Geothermal, Wind Energy) + BESS/ESS Tier 2 – GITA of 60%: a) List of qualifying assets approved by MOF: - EV infrastructure - Waste composting and recycling system - Wastewater recycling and rainwater harvesting system b) Renewable Energy System (Biomass, Biogas, Mini Hydro, Geothermal, Wind Energy)

Planning Opportunity:
Businesses investing in renewable energy, EV infrastructure, waste management and green technology solutions should assess whether their planned investments qualify under the expanded GITA scope.

Review of Tax Incentives For Global Services Hub

Applicable to new applications received by MIDA from 1 January 2027.

To strengthen Malaysia's competitiveness as a preferred destination for global services hubs, the Government has proposed enhancements to the existing incentive framework:

- Expanding the scope to include Treasury Fund Management (TFM) activities.
- Introducing additional incentives to support regional treasury functions, including:
 - A withholding tax exemption on interest paid to non-residents, subject to prescribed conditions.
 - A stamp duty exemption for qualifying foreign currency loan arrangements and cash pooling structures.

“ The proposed changes broaden the scope of the existing GSH incentive beyond traditional shared services by incorporating Treasury Fund Management (TFM) functions, reflecting Malaysia's ambition to attract higher-value regional treasury and cash management activities.



Individual Income Tax & Reliefs



Income Tax Rates (Resident Individual)

The Government has proposed targeted personal income tax relief through a reduction in tax rates for the RM70,001 to RM150,000 chargeable income bands.

While the reduction is modest at 1%, it will benefit middle-income taxpayers resulting in cumulative annual tax savings of up to RM1,000 for affected individuals from Year of Assessment 2027 onwards.

CURRENT POSITION

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

PROPOSAL

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

Tax Relief | Individual & Dependent Relatives

Effective from Year of Assessment 2027.



Individual tax relief will be increased from RM 9,000 to RM 12,000 per annum.

EXPENSES FOR PARENTS & GRANDPARENTS

Current Position

- Tax relief of up to RM 8,000 is available for certain types of expenses incurred for parents and grandparents.
- The eligible expenses include medical treatment at hospitals and clinics, treatment at home or in care centres, all dental treatments (excluding cosmetic treatment) and full medical examinations and vaccinations limited to RM 1,000.
- Claims must be supported by certification from a medical practitioner registered with the Malaysian Medical Council, verifying the health condition of the parent or grandparent concerned.
- Where care is provided by a caregiver other than the individual, spouse, or children, a written declaration or valid work permit, together with supporting receipts, is required.

Proposal

- All care-related expenses are eligible for tax relief and are no longer restricted to medical care expenses.
- A written declaration from the caregiver (other than the individual, spouse, or children) or a valid work permit, together with supporting receipts, is required.
- Verification by a medical practitioner registered with the Malaysian Medical Council is no longer required.

Tax Relief | Medical Treatment

Effective from Year of Assessment 2027.

Current Position

- Tax relief of up to RM10,000 is available for the following medical expenses:
 - Serious illness (self, spouse or child)
 - Fertility treatment (self or spouse)
 - Vaccinations (self, spouse or child) (up to RM1,000)
 - Dental examinations and treatment (up to RM1,000)
 - Full medical check-ups, mental health consultations, disease diagnostic tests and self-health monitoring equipment (self, spouse or child) (up to RM1,000)
 - Assessment for diagnosis, early intervention or rehabilitation programmes for children with learning disabilities (aged 18 and below).
- Tax relief of up to RM1,000 is available for the purchase of breastfeeding equipment for children aged 2 years and below.

Proposal

- Medical treatment tax relief will be reclassified as the Health and Well-being Tax Relief, with the relief amount maintained at RM10,000.
- The scope of the relief will be expanded to include:
 - i. Postnatal care services provided by a qualified practitioner or confinement centre (up to RM 3,000)
 - ii. Breastfeeding equipment for children aged 2 years and below, purchased by the individual or spouse (up to RM 1,000)
 - iii. Tax relief for breastfeeding equipment will be consolidated under the Health and Well-being Tax Relief.

Tax Relief | Education Fees & Lifestyle

Effective from Year of Assessment 2027.

Current Position

- Education fees (limited to RM7,000) cover the following courses or fields of study:
 - i. Other than Master's or Doctor of Philosophy (PhD) programmes, i.e. educational courses up to tertiary level
 - ii. Master's or Doctor of Philosophy (PhD) programmes undertaken at a local institution or a professional body recognised by the Malaysian Government or approved by the Ministry of Finance (MOF)
 - iii. Upskilling or self-enhancement courses recognized by the Director General (DG) of Skills Development under the National Skills Development Act 2006 (limited to RM2,000)
- Lifestyle relief covers upskilling or self-enhancement courses unrelated to employment (limited to RM2,500), including courses relating to hobbies, languages and religion.

Proposal

- The existing reliefs will be merged and reclassified as "Education and Skills Training Fees" Tax Relief (limited to RM 7,000) covering:
 - i. Fees incurred by the individual for obtaining a Certificate, Diploma, Bachelor's, Master's, or Doctor of Philosophy (PhD) qualification in any field of study at a local institution or professional body in Malaysia recognised by the Malaysian Government or approved by the Ministry of Finance (MOF).
 - ii. Fees (limited to RM 3,000) incurred by the individual or spouse for upskilling or self-enhancement courses in the field of Technical and Vocational Education and Training (TVET) recognised by the Director General (DG) of Skills Development.
- Tax relief of up to RM2,000 is available for:
 - i. Courses, skills training and self-enhancement classes unrelated to employment undertaken by the individual or spouse.
 - ii. Courses, training programmes, classes, or tuition in Science, Technology, Engineering, and Mathematics (STEM), arts, languages and religion undertaken by children.

Tax Relief | Lifestyle

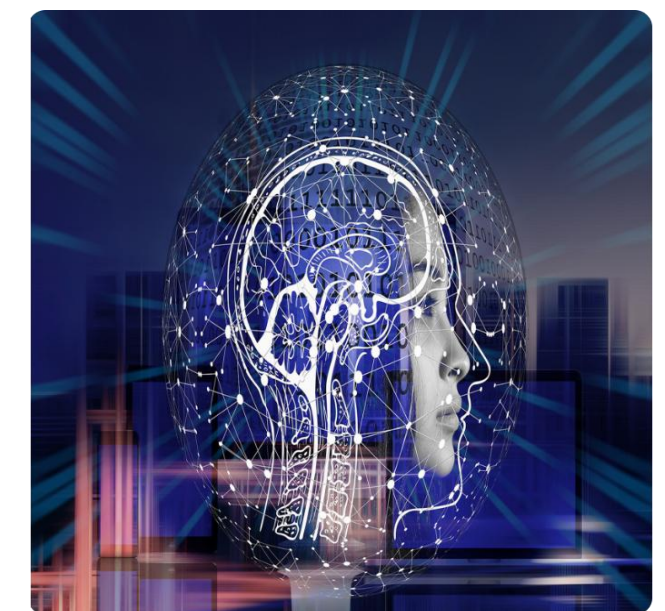
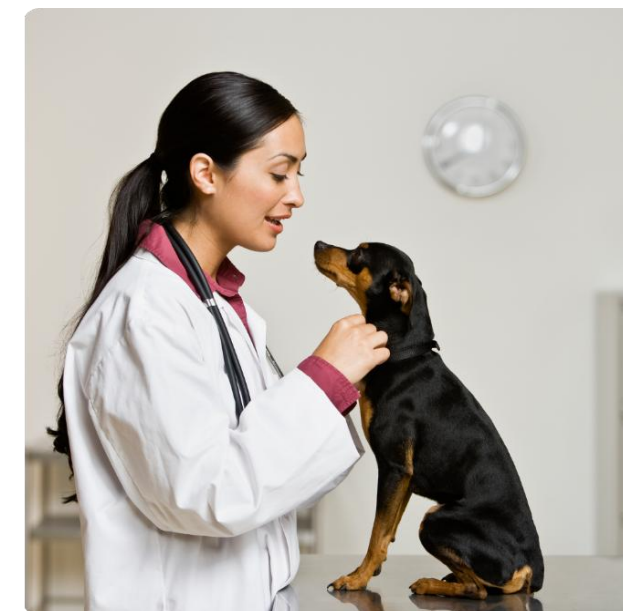
Effective from Year of Assessment 2027.

Current Position

- From the Year of Assessment 2024, lifestyle relief of up to RM2,500 is available for the purchase or subscription of books, printed or electronic newspapers, personal computers, smartphones, tablets and internet subscriptions.

Proposal

- Lifestyle relief of RM2,500 will be expanded to include:
 - i. Subscriptions to Artificial Intelligence (AI) software and applications for the personal use of the individual, spouse, or child.
 - ii. Expenses incurred for the adoption of pets from registered animal shelters.
 - iii. Fees for registered veterinary services, including vaccinations and spaying or neutering procedures.



Tax Relief | Sports Related Lifestyle

Effective from Year of Assessment 2027.

Current Position

- Tax relief of up to RM1,000 is available for expenses incurred by the individual, spouse, child, or parents in respect of the following:
 - i. The purchase of sports equipment for sports activities listed under the Sports Development Act 1997 [Act 576] (excluding motorised two-wheeled bicycles);
 - ii. Rental or entrance fees paid to sports facilities;
 - iii. Registration fees for participation in sports competitions organised by organisers approved and licensed by the Commissioner of Sports under Act 576; or
 - iv. Gymnasium membership fees or sports training fees charged by sports clubs or societies registered with the Commissioner of Sports, or companies incorporated under the Companies Act 2016 to conduct sports activities listed under Act 576.

Proposal

- Expanded to include the purchase of sports shoes (limited to RM300).



Tax Relief | Tourism Expenses

Effective from Year of Assessment 2027.

Current Position

- For the Year of Assessment 2026, tax relief of up to RM1,000 is available for entrance fees incurred in relation to:
 - i. Tourist attractions, including museums, zoos, theme parks, national parks, marine parks, and geoparks; and
 - ii. Cultural and arts programmes.

Proposal

- Extended by one year until Year of Assessment 2027.



Tax Relief | SOCSO Contributions

Effective from Year of Assessment 2027.

Current Position

- Tax relief for contributions made to the Social Security Organisation (SOCSO) and Employment Insurance System (EIS) (limited to RM350).

Proposal

- The scope of the relief will be expanded to cover:
 - i. Mandatory contributions to the Self-Employment Social Security Scheme (LINDUNG KENDIRI) for the three mandatory sectors, namely passenger transport, goods and food transport, and hawkers, as prescribed under the Self-Employment Social Security Act 2017 [Act 789], with the existing tax relief of RM350 maintained; and
 - ii. An additional tax relief of RM150 for voluntary contributions to the Non-Employment Injury Scheme (LINDUNG 24) and the 17 non-mandatory sectors covered under LINDUNG KENDIRI.

Indirect Taxes



Stamp Duty Exemption for Purchase of First Residential Home

The existing 100% exemption will be supplemented by a tiered exemption structure for higher-priced first homes.

CURRENT POSITION

Malaysian citizens purchasing their first residential property priced at RM500,000 or below currently enjoy a 100% stamp duty exemption on both loan agreements and instruments of transfer, provided the sale and purchase agreements are executed between 1 January 2021 and 31 December 2027.

PROPOSED POSITION

For homes priced at RM500,000 or below, the 100% exemption would be maintained.

For homes priced above RM500,000 and up to RM750,000

- First RM500,000 of the property value - 100% exemption
- Balance exceeding RM500,000 up to RM750,000 - 50% exemption

For loan agreements and instruments of transfer involving sale and purchase agreements executed from 1 January 2027 to 31 December 2030.



By reducing upfront transaction and financing costs, the exemption helps ease the financial burden on young professionals and middle-income families, supporting greater participation in the property market while stimulating demand for residential properties.

Stamp Duty Exemption for Revival of Abandoned Housing Projects

CURRENT POSITION

A 100% exemption previously applied to execution of loan agreements and instruments of transfer related to the revival of abandoned housing projects from 1 January 2013 until 31 December 2025:

- **Rescue contractors/developers**
 - Financing loan agreements; and
 - Instruments of transfer for the transfer of land or abandoned housing projects.
- **Original buyers**
 - Additional-financing loan agreements; and
 - Instruments of transfer for residential homes.

PROPOSED POSITION

Reintroduce a 100% stamp duty exemption for rescue contractors/developers and original buyers involved in the revival of abandoned housing projects.

The abandoned housing projects must be certified by the Ministry of Housing and Local Government.

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



To support the MADANI Housing Reform Programme and its goal of eliminating abandoned housing projects by 2030, the stamp duty exemption reduces transaction costs associated with the restructuring and rehabilitation of abandoned housing projects, which often involve multiple legal, financing, and transfer arrangements.

Stamp Duty Exemption for Opening Savings and Current Accounts

The proposal provides for the removal of the RM10 stamp duty currently imposed on instruments for opening qualifying savings and current accounts, effective 1 January 2027.

CURRENT

RM10 duty on qualifying account-opening instruments

PROPOSED

100% stamp duty exemption

Qualifying Instruments

Instruments for the opening of savings and current accounts that contain an undertaking which creates a specific legal obligation, indemnity, guarantee or liability.



The 100% stamp duty exemption removes a modest but avoidable cost and administrative burden associated with opening bank accounts, encouraging greater participation in the formal financial system, particularly among MSMEs and start-up businesses.

Stamp Duty Treatment on Foreign Currency Loan or Financing Agreements

Effective 1 January 2027

This represents a potentially material change for borrowers entering into foreign currency financing arrangements with banks in Malaysia.

CURRENT POSITION

Foreign currency loan or financing agreements are subject to ad valorem stamp duty at 0.5%. This means duty is linked to the value of the transaction rather than a fixed amount.

PROPOSED POSITION

Effective from 1 January 2027, the maximum stamp duty limits based on the financing amount are as follows:

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



The proposed stamp duty cap is expected to substantially reduce borrowing costs for large foreign currency financing arrangements, making Malaysia-based financing more attractive and enhancing businesses' access to competitive funding.

This report 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.

What Should Businesses Do Next?

- ✓ Review the impact of the announced measures on your business
- ✓ Identify opportunities to optimise tax and business outcomes
- ✓ Plan implementation with relevant stakeholders and advisors
- ✓ Monitor further guidance and regulatory updates

Need a deeper assessment?

Connect with our team for a personalised discussion and practical recommendations.

Saw Teck Yong,

Senior Manager, Tax

BoardRoom Malaysia

Email: teckyong.saw@boardroomlimited.com

www.boardroomlimited.com/my