

Malaysia

Budget 2027

Key Highlights

Malaysia MADANI: Menggapai di Langit, Mengakar di Bumi

Reaching for the Skies, Rooted in the Earth

RM459.8bn

Total allocation

4.2–5.2%

GDP growth forecast, 2027

3.3%

Fiscal deficit target, % of GDP

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INTRODUCTION

Strengthening Economic Resilience, Sustaining Growth and Advancing Fiscal Reforms

THE THEME OF BUDGET 2027

Malaysia MADANI: Menggapai di Langit, Mengakar di Bumi

Reaching for the Skies, Rooted in the Earth

Introduction

Malaysia's Budget 2027, themed **"Malaysia MADANI: Menggapai di Langit, Mengakar di Bumi"** (Reaching for the Skies, Rooted in the Earth), was tabled in Parliament on 9 October 2026 by the Prime Minister and Minister of Finance, YAB Dato' Seri Anwar Ibrahim.

As the fifth Budget under the MADANI Government and the second under the Thirteenth Malaysia Plan (2026–2030), Budget 2027 reflects the Government's continued commitment to strengthening economic resilience, enhancing national competitiveness and improving the well-being of the rakyat, while maintaining fiscal discipline amid an increasingly uncertain global economic environment.

With a total allocation of **RM459.8 billion**, Budget 2027 seeks to strike a balance between supporting near-term economic growth and advancing longer-term structural reforms. Of this amount, RM376.8 billion is allocated for operating expenditure, while RM83 billion is earmarked for development expenditure, with continued emphasis on infrastructure, strategic investments, human capital development and public services.

Economic and Fiscal Outlook

Malaysia's economy is projected to grow between **4.2% and 5.2% in 2027**, compared with the estimated growth of 4.8% to 5.3% in 2026. Growth is expected to remain supported by resilient domestic demand, favourable labour market conditions, sustained investment activities and continued expansion in key economic sectors.

Against the backdrop of global geopolitical uncertainties and external economic pressures, the Government remains focused on attracting high-value investments, accelerating digital transformation, strengthening productivity and promoting sustainable economic development.

On the fiscal front, the Government aims to further narrow the fiscal deficit from an **estimated 3.6% of GDP in 2026 to 3.3% in 2027**, reflecting its commitment to gradual fiscal consolidation. Federal Government revenue is projected to increase to RM380.8 billion in 2027, supported by improved tax collections, ongoing revenue enhancement measures and stronger tax administration.

Budget 2027 also underscores the Government's continued efforts to strengthen the tax framework, enhance compliance and broaden the revenue base, while introducing measures intended to support businesses, encourage investment and ease the financial burden on individuals.

Through this edition of **ThinkTx TaxSphere**, we present an overview of the key tax measures announced under Budget 2027, highlighting the proposed changes and their potential implications for businesses and individuals as they navigate the evolving Malaysian tax landscape.

AT A GLANCE

Budget 2027 at a glance

TOTAL ALLOCATION

RM459.8 *billion*

RM376.8bn

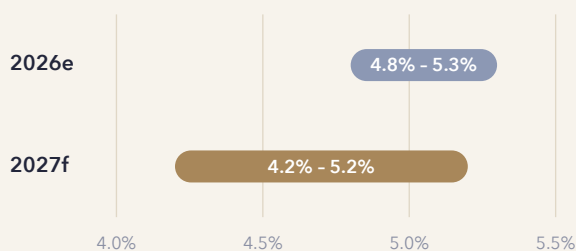
Operating expenditure · 81.9%

RM83.0bn

Development expenditure · 18.1%

REAL GDP GROWTH

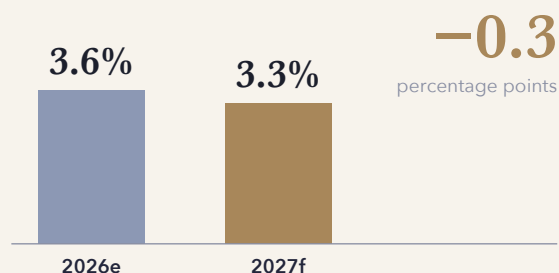
Forecast range, % year on year



Supported by resilient domestic demand and investment

FISCAL DEFICIT

% of GDP



-0.3
percentage points

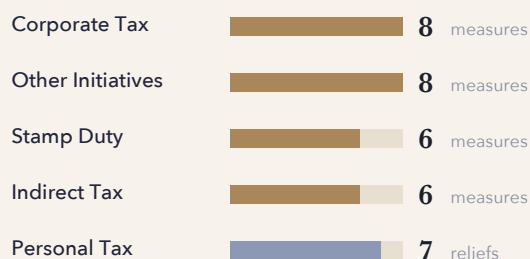
Gradual fiscal consolidation

FEDERAL GOVERNMENT REVENUE, 2027F

RM380.8 *billion*

Supported by improved tax collections, ongoing revenue enhancement measures and stronger tax administration.

WHERE THE MEASURES FALL



5th

Budget under the MADANI Government

2nd

Budget under the Thirteenth Malaysia Plan, 2026-2030

9 Oct 2026

Tabled by YAB Dato' Seri Anwar Ibrahim, Prime Minister and Minister of Finance

PROMINENTS

Four measures. A clearer picture.

The key changes for individuals, businesses and first-home buyers.

01 Individual income tax rates

18%

Reduced rate
RM70,001 - RM100,000

24%

New income band
RM100,001 - RM150,000

28%

Revised income band
RM600,001 - RM1,000,000

30%

Revised top band
Exceeding RM1,000,000

Selected revised bands support a more progressive tax system.

Effective from YA 2027

02 Individual income tax relief

RM3,000 more relief



RM9,000



RM12,000

For self and dependent relatives, to help manage rising living costs.

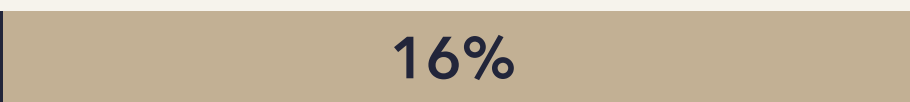
Effective from YA 2027

03 Corporate tax rates for qualifying MSMEs

1 percentage-point reduction on the first RM600,000



First RM150,000



Next RM450,000 (RM150,001 - RM600,000)

Of chargeable income. Effective from YA 2027.

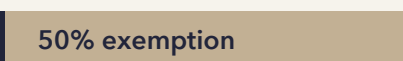
04 First-home stamp duty exemption

Homes priced up to RM750,000

For Malaysian citizens purchasing their first residential property.



First RM500,000



Remaining portion up to RM750,000

Homes up to RM500,000: full exemption on loan agreements and instruments of transfer.

SPAs: 1 January 2027 - 31 December 2030

SECTION 01

Corporate Tax

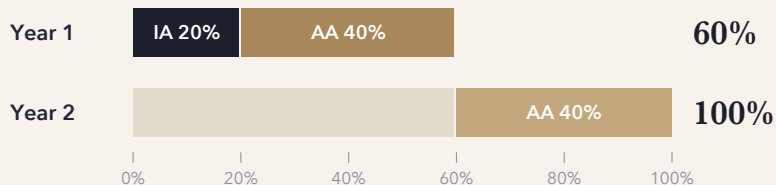
8 measures · ThinkTx TaxSphere

Extension of Accelerated Capital Allowance for Plant, Machinery and ICT Equipment

To encourage domestic investment and accelerate digital transformation, the Government proposes to extend the Accelerated Capital Allowance (ACA) incentive for another 4 years.

Companies will continue to enjoy full capital allowances on qualifying capital expenditure within 2 years, at the following rates:

HOW THE ALLOWANCE IS CLAIMED



Initial Allowance (IA) 20% · Annual Allowance (AA) 40% · full claim within 2 years

The incentive covers qualifying expenditure on heavy machinery, plant and general machinery acquired from local manufacturers, ICT equipment, computer software packages, and consultation, licensing and incidental fees relating to customized software development.

4 years

ACA extension

EFFECTIVE

Qualifying expenditure incurred from 1 January 2027 to 31 December 2030

Review of Capital Allowance for Small Value Assets

To reduce business costs and reflect increasing equipment prices, the Government proposes to enhance the capital allowance treatment for small value assets as follows:

RM3,000

per asset, up from RM2,000

EFFECTIVE

From YA 2027

	EXISTING	PROPOSED
Maximum value per asset	RM2,000	→ RM3,000
Annual claim limit for companies other than MSMEs	RM20,000	→ RM30,000

Qualifying Micro, Small and Medium Enterprises (MSMEs) will continue to enjoy full capital allowance claims on eligible small value assets without an overall annual claim limit.

Income Tax Deduction for Salary Payments Through Financial Institutions and Cashless Payment Instruments

To promote transparency in financial transactions and encourage compliance with cashless salary payment requirements under the Employment Act 1955, the Government proposes to restrict income tax deductions for salary expenses to payments made through financial institutions or cashless payment instruments. This requirement will apply to employers other than MSMEs.

Tax deductions for business expenses other than salary payments will remain allowable regardless of the payment method, subject to the prevailing tax deduction requirements.

Cashless

salary payments, employers other than MSMEs

EFFECTIVE

From YA 2028

Review of Tax Incentive for Global Services Hub

To strengthen Malaysia's competitiveness as a regional hub for high-value business services and attract treasury management activities, the Government proposes to refine the Global Services Hub (GSH) tax incentive framework.

The proposed revisions introduce the following classifications and income determination rules:

- **New companies:** Companies that have not previously undertaken GSH or Principal Hub (PH) activities.
- **Existing companies:** Companies previously approved for GSH or PH incentives, including those undertaking additional new services under an extension application.
- **Base income:** For existing companies, base income will be determined based on the average income of the preceding 3 years.

The existing GSH incentive framework provides preferential corporate income tax rates of 5% or 10%, subject to an outcome-based assessment and qualifying conditions.

5% · 10%

preferential corporate income tax rates

EFFECTIVE

Applications received by MIDA from 1 January 2027

Subject	New Company	Existing Company		
	GSH Income	≤ Base Income	> Base Income	
Tax Rate	5%	15%	5%	
Incentive Period	Every five (5) years up to a maximum of 30 years. (Subject to the company's performance/commitment during the preceding and subsequent incentive periods)			
Qualifying Services	a. Regional P&L/ Business Management Unit; b. Strategic business planning; and c. Corporate development.			
Additional Services	Must undertake a minimum of two (2) qualifying activities under the following service categories: a. Strategic services; or b. Business services (including Treasury Fund Management – 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 Minister of Finance.			
Treasury Fund Management	GSH company undertaking TFM activities specifically for cash pooling via onshore intermediaries be given the following additional incentives: a. Withholding tax exemption on interest paid to non-residents; and b. Stamp duty exemption of 100% on loan agreements between companies in foreign currencies. Additional incentives (a) and (b) is also expanded to Johor-Singapore Special Economic Zone (JS-SEZ) incentive package.			

Review of Income Tax Exemption for Shariah-Compliant Fund Management Service Providers

To further support Malaysia's Islamic fund management industry, the Government proposes to revise and extend the income tax exemption available to resident companies providing Shariah-compliant fund management services approved by the Securities Commission Malaysia (SC).

40%

exemption on statutory income, from 60%

EFFECTIVE

YA 2028 to YA 2030

	EXISTING	PROPOSED
Income tax exemption on statutory income	~~60%~~	→ 40%
Exemption period	~~Until YA 2027~~	→ YA 2028 to 2030

The revised exemption will apply to statutory income derived from managing qualifying Shariah-compliant funds.

Income Tax Deduction on Issuance Costs of Sukuk Prisma

To reinforce Malaysia's position as a global Islamic finance hub and encourage sustainable investment, the Government proposes to introduce an income tax deduction on the issuance costs of Sukuk Prisma approved, authorized by or lodged with the SC.

Sukuk Prisma is intended to mobilize financing for sustainability-focused projects, including climate change adaptation, water and food security, biodiversity resilience and the blue economy.

The existing tax deduction on issuance costs of Sustainable and Responsible Investment (SRI) Sukuk will remain available until YA 2027.

EFFECTIVE

YA 2027 to YA 2030

Extension of Tax Incentives for Organizing International Incentive Trips, Conferences and Trade Exhibitions

To strengthen Malaysia's position as a destination for international business events, the Government proposes to extend the existing tax incentives for organizing international incentive trips, conferences and trade exhibitions for another 3 years.

Eligible organizers certified by the Ministry of Tourism, Arts and Culture (MOTAC) will continue to enjoy 100% income tax exemption on statutory

100%

income tax exemption on statutory income

EFFECTIVE

YA 2028 to YA 2030

income, subject to the following annual foreign participation requirements:

MINIMUM FOREIGN PARTICIPANTS A YEAR		
International incentive trips		1,500
Conferences		2,000
Trade exhibitions		3,000

The extension aims to attract international business events and stimulate tourism-related economic activities.

Tax Deduction for PTPTN Loan Repayments by Employers on Behalf of Employees

To encourage employers to assist employees in settling their National Higher Education Fund Corporation (PTPTN) loans, the Government proposes to reintroduce an income tax deduction for PTPTN loan repayments made by employers on behalf of their employees for a period of 2 years.

The proposed tax deduction is subject to the following conditions:

- ✓ The employer must not require any payment from the employee in consideration of the PTPTN loan repayment.
- ✓ The employee must be employed on a full-time basis.
- ✓ The employee must not be the business owner or have family ties with the employer.

The proposed measure aims to encourage employer participation in reducing employees' education loan obligations while providing tax deductions to qualifying employers.

2 years

reintroduced deduction

EFFECTIVE

Repayments made from 1 January 2027 to 31 December 2028

SECTION 02

Stamp Duty

6 measures · ThinkTx TaxSphere

Review of Stamp Duty on Foreign Currency Loan or Financing Agreements

To enhance access to domestic financing and encourage borrowers to obtain foreign currency financing from banks in Malaysia, the Government proposes to introduce maximum stamp duty limits on foreign currency loan or financing agreements.

The proposed stamp duty limits are as follows:

Loan or financing up to RM100 million

MAXIMUM STAMP DUTY

RM2,000

Loan or financing exceeding RM100 million

MAXIMUM STAMP DUTY

RM5,000

ILLUSTRATION · STAMP DUTY ON A RM100 MILLION FACILITY

~~RM500,000~~

at 0.5% ad valorem today

→ **RM2,000**

under the proposed limit

The proposed limits will reduce the stamp duty costs associated with qualifying foreign currency financing arrangements, which are currently subject to ad valorem stamp duty at 0.5%.

RM5,000

maximum stamp duty, replacing 0.5% ad valorem

EFFECTIVE

Agreements executed from 1 January 2027

Stamp Duty Exemption for Opening Savings and Current Accounts

To improve access to financial services for individuals and businesses, particularly MSMEs, the Government proposes to grant a 100% stamp duty exemption on instruments executed for the opening of savings and current accounts.

100%

exemption, currently RM10

EFFECTIVE

From 1 January 2027

The exemption will apply to instruments containing undertakings that create specific legal obligations, indemnities, guarantees or liabilities, which are currently subject to stamp duty of RM10.

Remission of Stamp Duty on Loan or Financing Agreements Through Peer-to-Peer Platforms

To encourage MSMEs to access alternative financing, the Government proposes to grant a remission of stamp duty exceeding RM10 on loan or financing agreements executed between MSMEs and investors through Peer-to-Peer (P2P) financing platforms.

The proposed remission replaces the existing 100% stamp duty exemption and applies to financing arrangements facilitated through P2P platforms registered with and recognized by the SC.

Accordingly, qualifying P2P loan or financing agreements will be subject to a nominal stamp duty of RM10.

RM10

nominal stamp duty

EFFECTIVE

Agreements executed from 1 January 2027 to 31 December 2030

Review of Stamp Duty Remission Under the CAKNA Scheme

To continue supporting MSMEs and small contractors undertaking Government contracts, the Government proposes to extend and reintroduce the stamp duty remission under the CAKNA financing schemes.

The remission will apply to stamp duty exceeding RM10 on qualifying principal loan or financing agreements, as follows:

RM1.5m

Government contracts financed, CAKNA II

EFFECTIVE

CAKNA I: 1 January 2029 to 31 December 2030

CAKNA II: 1 January 2027 to 31 December 2030



CAKNA I facilitates early payment to MSMEs through the sale of approved Government invoices to banking institutions, while CAKNA II supports small contractors in financing Government contracts valued up to RM1.5 million.

Remission of Stamp Duty on Loan Agreements by Mid-Tier Companies

To improve cash flow and facilitate early payments to MSME suppliers, the Government proposes to grant a remission of stamp duty exceeding RM10 on qualifying second-tier agreements executed between Mid-Tier Companies (MTCs) and financial institutions under the Supplier Financing Programme.

The remission applies to arrangements involving the utilization of excess credit facilities to facilitate early payments to MSME suppliers, subject to the following conditions:

- ✓ The MSME suppliers must have fulfilled contracts for the supply of goods or services to the MTCs.
- ✓ The MSME suppliers must not be parent companies, subsidiaries or related parties of the MTCs.

Stamp duty on first-tier credit facility agreements will remain subject to the existing ad valorem rate of 0.5%.

EFFECTIVE

Second-tier agreements executed from 1 January 2027 to 31 December 2030

Stamp Duty Exemption for Revival of Abandoned Housing Projects

To support the MADANI Housing Reform programme and the Government's target of eliminating abandoned housing projects by 2030, a 100% stamp duty exemption is proposed to be reintroduced for qualifying loan agreements and instruments of transfer relating to the revival of abandoned housing projects.

The exemption will apply to the following parties and instruments:

ELIGIBLE PARTY	QUALIFYING INSTRUMENTS
Rescue contractors or developers	Loan agreements for financing purposes and instruments of transfer involving land or abandoned housing projects
Original purchasers	Loan agreements for additional financing and instruments of transfer for the residential properties

The exemption will apply to abandoned housing projects certified by the Ministry of Housing and Local Government.

100%

stamp duty exemption, reintroduced

EFFECTIVE

Agreements and instruments executed from 1 January 2027 to 31 December 2030

SECTION 03

Other Initiatives

8 measures · ThinkTx TaxSphere

Review of Green Technology Tax Incentives

In line with Malaysia's aspiration to achieve net-zero carbon emissions by 2050, the Government proposes to revise and extend the Green Technology Tax Incentives to encourage investments in renewable energy, sustainable infrastructure and green technology adoption.

The proposed incentives are as follows:

i. Green Investment Tax Allowance (GITA) Projects (Business Purposes)

100%

GITA rate, Tier 1

EFFECTIVE

1 January 2027 to 31 December 2030

QUALIFYING ACTIVITY	GITA RATE	SI SET-OFF	PERIOD
TIER 1			
Green Hydrogen and Ocean Thermal Energy Conversion	100%	100% or 70%	5 + 5 years
TIER 2			
Electric Vehicle Charging Stations and Renewable Energy Systems (Biomass, Biogas, Mini Hydro, Geothermal and Wind Energy)	60%	70%	5 years

EFFECTIVE Applications received by MIDA from 1 January 2027 to 31 December 2030

SI - Statutory Income

ii. GITA Assets (Own Consumption)

QUALIFYING ACTIVITY	GITA RATE	SI SET-OFF
TIER 1 Locally produced qualifying assets, including electric vehicle infrastructure, waste composting and recycling systems, wastewater recycling and rainwater harvesting systems; and integrated renewable energy systems with battery or energy storage systems	100%	70%
TIER 2 Qualifying electric vehicle infrastructure, waste composting and recycling systems, wastewater recycling and rainwater harvesting systems; and renewable energy systems (Biomass, Biogas, Mini Hydro, Geothermal and Wind Energy)	60%	70%

Tier 1 qualifying assets also include approved vehicles such as buses, vans, panel MPVs, movers, terminal tractors, forklifts, lorries, light trucks and heavy vehicles, including prime movers, subject to the relevant local production requirements.

SI - Statutory Income

Companies must submit their applications to the Malaysian Green Technology and Climate Change Corporation (MGTC) within 24 months from the date of purchase of the qualifying GITA assets.

EFFECTIVE Qualifying green technology assets purchased and verified by MGTC from 1 January 2027 to 31 December 2030

Extension of Tax Incentive for Equity Crowdfunding

To encourage alternative financing and attract greater participation from individual investors in start-ups and MSMEs, the Government proposes to extend the existing tax incentive for investments made through Equity Crowdfunding (ECF) platforms for another 4 years.

Individual investors will continue to enjoy an income tax exemption equivalent to 50% of the investment amount, subject to the following conditions:

- ✓ Maximum exemption of RM50,000 for each year of assessment, limited to 10% of aggregate income.
- ✓ Investment must be made through an ECF platform approved by SC.
- ✓ Investors, investee companies and investment amounts must be verified by SC.
- ✓ Investors must not have family ties with the investee company.
- ✓ Investments must be retained for at least 2 years from the date of investment.

The incentive also covers qualifying investments made through Limited Liability Partnership (LLP) nominees.

50%

of the investment amount exempt

EFFECTIVE

Investments made from 1 January 2027 to 31 December 2030

Extension of Tax Incentive for Angel Investors

To promote early-stage funding for technology start-ups, the Government proposes to extend the existing income tax incentive for angel investors for another 4 years.

Qualifying angel investors investing in ordinary shares of technology start-up companies at the pre-seed and seed stages will continue to enjoy an income tax exemption equivalent to the qualifying investment amount, against their individual aggregate income.

The extension aims to encourage private capital participation in technology start-ups and support the development of Malaysia's innovation ecosystem.

4 years

extension

EFFECTIVE

Investments made from 1 January 2027 to 31 December 2030

Introduction of Multi-Family Office Scheme in Forest City

To strengthen Malaysia's position as a regional wealth management hub, the Government has announced the introduction of a Multi-Family Office (MFO) scheme in Forest City, enabling licensed fund managers to manage wealth and investment portfolios for multiple families.

The proposed scheme builds upon the existing Single Family Office (SFO) framework in Forest City, which offers a 0% tax rate on qualifying income for up to 20 years, subject to prescribed conditions.

The MFO initiative is intended to attract international wealth management activities, encourage investment inflows and expand Malaysia's family office ecosystem.

0%

tax rate on qualifying income under the existing SFO framework, up to 20 years

Tax Treatment for School Public Contribution Fund

To enhance school infrastructure, operational efficiency and student welfare, the Government proposes to expand the scope of the School Public Contribution Fund (*Tabung Sumbangan Wang Awam Sekolah* TSUWAS), approved under Subsection 44(6) of the Income Tax Act 1967.

The expanded scope will allow TSUWAS funds to be utilized for:

- Administrative and operating expenses;
- Repairs and maintenance of school facilities;
- Procurement of equipment; and
- Implementation of school programmes for students.

Applications to establish TSUWAS must be submitted to the Inland Revenue Board of Malaysia (IRBM), with endorsement from the Ministry of Education Malaysia (MOE).

The fund will be jointly administered by the school, Parent-Teacher Association

EFFECTIVE

From YA 2027

(PTA) or Alumni Association, subject to MOE monitoring and prescribed guidelines.

Review of Tax Incentives for Malaysian Shipping Companies

To strengthen Malaysia's maritime industry, expand the domestic shipping fleet and reduce reliance on foreign vessels, the Government proposes to enhance the tax incentives available to Malaysian shipping companies.

i. Income Tax Exemption

A 100% income tax exemption will be granted to qualifying Malaysian shipping companies, subject to the following conditions:

100%

income tax exemption, YA 2027 to YA 2036

EFFECTIVE

Exemption: YA 2027 to YA 2036

Stamp duty limits: agreements executed from 1 January 2027

In Malaysia

Strategic management and effective control must be exercised in Malaysia

RM250,000

Minimum annual operating expenditure in Malaysia for each Malaysian ship

4 citizens

Malaysian employees for each Malaysian ship, at an average monthly salary of RM15,000

EFFECTIVE YA 2027 to YA 2036

ii. Stamp Duty on Ship Financing Agreements

The Government also proposes to introduce maximum stamp duty limits on loan or financing agreements for the purchase or construction of Malaysian ships, as follows:

Loan or financing up to RM100 million

MAXIMUM STAMP DUTY

RM2,000

Loan or financing exceeding RM100 million

MAXIMUM STAMP DUTY

RM5,000

The existing full stamp duty exemption on instruments executed by Labuan entities in connection with Labuan business activities will be maintained.

EFFECTIVE Loan or financing agreements executed from 1 January 2027

Tax Deduction for Relocation of Automotive Vendors to Automotive Hi-Tech Valley

To support the development of Perak as a regional automotive hub and encourage investment in the Automotive Hi-Tech Valley (AHTV) in Tanjong Malim, the Government proposes to introduce a tax deduction for qualifying relocation costs incurred by fully Malaysian-owned automotive vendor companies.

Eligible companies relocating their operations to AHTV will be entitled to an income tax deduction of up to RM5 million on qualifying relocation expenditure.

The incentive aims to strengthen the local automotive supply chain, attract domestic investment and support the development of the automotive industry in Perak.

RM5m

maximum deduction on relocation expenditure

EFFECTIVE

Relocation expenditure incurred from 1 January 2027 to 31 December 2030

Income Tax Deduction for Contributions to Public Universities

To encourage greater participation from the private sector and the public in supporting higher education, the Government proposes to provide an income tax deduction for qualifying contributions made to public universities.

Contributions from individuals, alumni and corporate entities will be eligible for an income tax deduction of up to 10% of aggregate income.

The initiative aims to encourage private sector participation in supporting public universities and strengthening the development of Malaysia's higher education sector.

10%

of aggregate income

SECTION 04

Indirect Tax

6 measures · ThinkTx TaxSphere

04

Review of Import Duty Exemption for Langkawi-Origin Goods

To support the development of local entrepreneurs and promote products originating from Langkawi, the Government proposes to revise and expand the list of goods eligible for import duty exemption when brought directly from Langkawi into the Principal Customs Area (PCA).

The revised exemption will cover the following categories of goods:

6

categories of goods

EFFECTIVE

From 1 January 2027

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 Ornaments

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

The expanded exemption is intended to enhance market access for locally produced goods and strengthen Langkawi's domestic entrepreneurial ecosystem.

Review of Import Duty and Sales Tax Exemption for Goods Transported Out of Duty-Free Islands

To further promote tourism and encourage visitor spending in duty-free islands, the Government proposes to increase the value limit for goods eligible for import duty and sales tax exemption when transported from Langkawi and Labuan into the PCA.

The proposed exemption will apply as follows:

RM10,000	48 hours	Langkawi · Labuan	All new goods
Maximum value of goods	Minimum duration of visit	Eligible locations	Excluding specified restricted categories

The exemption excludes tyres and tubes, alcoholic beverages, cigarettes, tobacco products, smoking pipes, and electronic cigarettes and vapes, including liquids or gels.

The existing import duty and sales tax treatment for Tioman, Pangkor and Pulau 1, Forest City, will remain unchanged.

RM10,000

maximum value of goods

EFFECTIVE

From 1 January 2027

Sales Tax Refund Facility for Traders Supplying Manufacturers

To reduce business costs and strengthen domestic supply chains, the Government proposes to introduce a sales tax refund facility for local traders or distributors supplying qualifying goods to manufacturers.

The facility will allow traders or distributors to claim a refund of sales tax paid on the following goods supplied to manufacturers:

- Machinery, spare parts and equipment specified under Item 55, Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018.
- Manufacturing inputs used in the production of pharmaceutical products, animal feed, fertilizers and pesticides, as specified under Schedule B of the same Order.

The proposed facility aims to address the sales tax cost incurred when manufacturers procure qualifying machinery, equipment and production inputs through local traders or distributors rather than directly from manufacturers or overseas suppliers.

EFFECTIVE

From 1 January 2027

Improvement in Service Tax Treatment for Elderly Care Services

To improve access to affordable elderly care services, the Government proposes to revise the service tax treatment for elderly care centres.

Elderly care services will be reclassified from Group C (Wellness Centres) to a new item under Group I of the First Schedule to the Service Tax Regulations 2018. The service tax rate will be reduced from 8% to 6%, while the registration threshold remains at RM500,000.

6%

service tax, down from 8%

EFFECTIVE

From 1 January 2027

	EXISTING	PROPOSED
Service tax rate, elderly care services	8%	→ 6%

The proposed treatment is as follows:

ANNUAL CARE FEE / CHARGE	PROPOSED SERVICE TAX TREATMENT
Up to RM96,000 per person	Service tax exemption for elderly care service providers registered under the Care Centres Act 1993 or the Private Aged Healthcare Facilities and Services Act 2018
Exceeding RM96,000 per person	Service tax at 6%

The revised treatment aims to reduce the financial burden on families while supporting the provision of quality elderly care services.

Review of Entertainment Duty Exemption in the Federal Territories

To support Malaysia's creative industry and encourage family-oriented entertainment activities, the Government proposes to extend the existing entertainment duty exemptions for selected entertainment activities in the Federal Territories until 31 December 2030.

The proposed entertainment duty treatment is as follows:

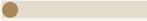
0%

stage performances by local artists

EFFECTIVE

Existing categories: applications received by MOF until 31 December 2030

Local film and theatre: applications received by MOF from 1 January 2027 to 31 December 2030

DUTY RATE	ENTERTAINMENT CATEGORY
10% 	- International stage performances, light shows and circuses - Film screenings, cinemas and theatres - Exhibitions, zoos and aquariums - Sports events, e-sports, bowling, snooker, pool, billiards and karaoke
5% 	Theme parks, family recreation centres, indoor amusement centres and simulators
0% 	Stage performances by local artists

In addition, a 100% entertainment duty exemption is proposed for admission tickets to local film screenings in cinemas and local theatre performances held in the Federal Territories for 4 years.

The measures aim to encourage participation in entertainment activities and strengthen the domestic film and performing arts industries.

Entertainment Duty Exemption for Selected Facilities in the Federal Territories

EFFECTIVE

From 1 January 2027

To encourage the use of historical heritage venues and promote arts, cultural and sporting activities, the Government proposes to extend entertainment duty exemption to activities and events held at the following facilities:

- Stadium Merdeka
- Stadium Negara

The proposed exemption covers arts and cultural events, entertainment activities and sporting events organized at these venues.

The measure is intended to promote the utilization of these heritage facilities while supporting Malaysia's arts, culture and sports sectors.

SECTION 05

Personal Tax

7 reliefs revised · ThinkTx TaxSphere

Review of Individual Income Tax Reliefs

Budget 2027 introduces a series of enhancements to personal income tax reliefs aimed at easing the cost of living, supporting family well-being and encouraging lifelong learning. The proposed measures broaden the scope of existing reliefs to cover emerging household expenses, including artificial intelligence (AI) subscriptions, postnatal care, skills development and personal protection, while maintaining most existing relief limits.

The key proposed changes are summarized below.

Tax Relief	Proposed Changes	Relief Limit
Parents or Grandparents	To include all type of general caregiving expenses incurred for parents/ grandparents at home, day care centres and residential care centres beyond medical care costs. A verification by a medical practitioner is not required. For payments to carers other than the taxpayer, spouse or children, a written declaration or a copy of the carer's work permit together with relevant receipts are required to be kept.	RM8,000 (unchanged)
Health and Well-being <i>(fka Medical Treatment)</i>	To include postnatal care services provided by confinement centres or qualified individuals, limited to RM3,000. To merge with the existing relief for "Breastfeeding Equipment" for children aged 2 years and below, limited to RM1,000.	RM10,000 (unchanged)

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Tax Relief	Proposed Changes	Relief Limit
Education and Skills Training Fees <i>(fka Education Fees)</i>	To merge with the existing relief for "Education and Skills and Training fees". To expand the scope as follows: ■ All courses or studies recognised by any regulatory agency at the Certificate, Diploma, Bachelor's, Master's and Doctoral of Philosophy level in any field of study at any local institution or professional body in Malaysia recognised by the Government of Malaysia or approved by MoF. ■ Upskilling or self-enhancement courses or studies in the field of Technical and vocational Education and Training (TVET) recognised by the Director General of Skills Development under Act 652, limited to RM3,000. ■ Courses, training and skills and self-enhancement classes unrelated to employment; or in the field of Science, Technology, Engineering and Mathematics (STEM), arts, language and religious courses for children, limited to RM2,000.	RM7,000 (unchanged)
Lifestyle	To expand to include the expenses relating to: ■ Subscriptions to Artificial Intelligence (AI) software and applications ■ Pet adoption fees paid to registered animal shelters ■ Pet vaccination and spaying or neutering procedures provided by registered veterinary services	RM2,500 (unchanged)



EDUCATION AND SKILLS

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Tax Relief	Proposed Changes	Relief Limit
Sports-related Lifestyle	To include the purchase of sports shoes limited to RM300.	RM1,000 (unchanged)
Tourism Expenses	To be extended to YA 2027.	RM1,000 (unchanged)
SOCISO Contributions	To expand to include mandatory contributions to Self-Employment Social Security Scheme (LINDUNG KENDIRI) contributions for 3 mandatory sectors (passenger transport, goods and food transport and hawkers). Introduce an additional RM150 relief for voluntary contributions under Non-Employment Injury Scheme (LINDUNG 24 JAM) and the 17 non-mandatory sectors under LINDUNG KENDIRI.	RM350 (existing relief) + RM150 (additional relief)

Effective from YA 2027 and onwards, except for the tourism expenses relief where it is extended for YA 2027 only.



CARE AND PERSONAL PROTECTION

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Should you wish to explore any of the developments further, we would be delighted to hear from you.



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About ThinkTx

ThinkTx Consultants is a professional consulting practice providing a comprehensive and wide range of taxation services. We are a specialist practice offering personalised services for our clients. Our team comprises experienced and certified professionals with extensive experience in the industry.

DISCLAIMER

This TaxSphere is based on the Budget 2027 speech and related documents tabled on 9 October 2026, which provide a general overview of the proposed tax policies. Specific details such as tax rates and compliance requirements are governed by the relevant Finance Act and gazette orders. This document is based on information available as at 10 October 2026. The information contained herein is general in nature and does not constitute professional advice. No liability is accepted for any action taken in reliance on it.



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