



# Centre Stage: Budget 2026 overview




# Contents



## Foreword

Page 3



## Budget snapshot

Page 5



## Economic snapshot

Page 6



## Economic outlook

Page 7



## Key Budget measures

Page 9



## Tax proposal highlights

Page 18

# Foreword

“ Budget 2026 —the fourth under the Ekonomi Madani framework and the first under the 13th Malaysia Plan—arrives at a critical juncture for our nation. It is a powerful declaration that Malaysia is not merely weathering global uncertainty but is actively undertaking a strategic institutional and economic reset.”

**Steve Chia**

Tax Leader, PwC Malaysia

**Malaysia's narrative is one of resilient domestic consumption and sustained investor confidence: a 4.4% GDP expansion in Q1 2025, near-decade low unemployment, and a remarkable 11-spot leap in the IMD World Competitiveness Ranking. Budget 2026 underscores this momentum, committing to a balanced progression, aligning fiscal policies with strategic national priorities and fostering a conducive environment for all stakeholders.**

## Expanding the revenue base

The pause on revenue-raising proposals signals a pivot towards smarter governance and anti-leakage measures. Leveraging on the early successes of digitalisation such as the Tax Identification Number, the e-Invoicing pilot, and various consolidation of tax administrative efforts last year, the government's assertive focus sends a clear message: voluntary compliance is encouraged, but enforcement is decisive. Cultivating a culture of accountability will be crucial as Malaysia moves towards a more transparent and equitable tax system.

## Improving Rakyat's wellbeing and advancing the social agenda

We see a strong people-focused approach through targeted policies. The extension and re-introduction of personal tax reliefs echo this sentiment, effectively cushioning household costs and fostering favourable social outcomes. The strategic expansion of childcare relief, encompassing registered daycare and transit centres, acknowledges the ongoing struggle of working families and emphasises the Government's dedication to supporting the rakyat's welfare. The RM15 bn allocation for Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah further echo these sentiments. The Government's commitment to enhancing citizen's quality of life is also seen in the introduction of the vehicle scrapping initiative, which aims to address safety risks associated with old vehicles while improving access to better mobility.

### **Building high-growth, high-value sectors**

Tax levers will be crucial in nurturing Malaysia's high-growth, high-value sectors. The Outcome-Based Incentive Framework, with its alignment to the National Industrial Master Plan's priority activities, is a move that promises to galvanise manufacturing and services toward high-value jobs and balanced regional development. Enhanced venture capital incentives, including special tax rates and dividend tax exemptions, will act as a catalyst for innovation and entrepreneurship, particularly in strategic verticals like E&E, artificial intelligence (AI), cloud, and the energy transition.

### **Ensuring a fair and affordable property market**

To foster property market stability and support homeownership, the Government has extended stamp duty exemptions for first-time homebuyers of properties valued up to RM500,000, until 31 December 2027. Measures to curb speculative activities, such as raising the stamp duty rate from 4% to 8% for non-citizens, non-permanent residents, and foreign companies, demonstrate a clear focus on prioritising the welfare of the rakyat. Furthermore, tax deductions for the conversion of commercial properties into residential spaces signal an emerging recognition of a supply imbalance in the property market.

### **Driving sustainability**

Carbon taxes, initially covering iron, steel, and energy, are slated for introduction next year, marking a significant step forward for Malaysia's decarbonisation ambitions. Alignment with the National Carbon Market Policy and the forthcoming National Climate Change Bill will be critical to ensure coherence across compliance, voluntary markets and corporate decarbonisation strategies. This policy, complemented by expanded individual income tax reliefs for food waste grinders, directly incentivises sustainable practices. While modest in monetary value, such targeted reliefs can catalyse greener behaviours across the public.

As we look ahead, the measure of Budget 2026 will not be its overall size, but the clarity and rigour of its execution. As Malaysia moves into the next phase of its development under the 13th Malaysia Plan (13MP), I remain hopeful that Budget 2026 will catalyse sustainable growth, attract quality investments, and uplift the lives of all Malaysians.

### **Steve Chia**

Tax Leader, PwC Malaysia



# Budget snapshot

## Fiscal position

**Budget 2026 remains expansionary.**

However, the Government is reining in the deficit.

**Revenue**  
**RM343 bn**

**Expenditure**  
**RM419 bn**

**Narrowing**  
**Budget deficit**

**2026:** -3.5% of GDP

**2025:** -3.8% of GDP

**Government debt**

(Remains below the debt ceiling of 65%)

**2025:** 64.7% of GDP

**2024:** 64.6% of GDP

### Revenue

Higher revenue is driven by SST expansion, broader e-invoicing adoption, and stricter compliance.



**Up 2.7%**  
**Revenue**

**2026: RM343 bn**

**2025:** RM334 bn

### Expenditure

The rise in expenditure is attributed to higher remuneration, expanded social support programmes, and continued commitments to development projects.



**Up 1.7%**  
**Overall Expenditure**

**2026: RM419 bn**

**2025:** RM412 bn

**Up 1.8%**  
Operating  
Expenditure

**2026:** RM338 bn

**2025:** RM332 bn

**Up 1.3%**  
Gross Development  
Expenditure

**2026:** RM81 bn

**2025:** RM80 bn



Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

# Economic snapshot

## Policies in tandem

2023

### Ekonomi MADANI

7

Medium to long term aspirations to be achieved

- **Top 30 largest economy**  
(2024: Ranked #36 by World Bank)
- **Top 12 in global competitiveness**  
(2025: Ranked #23 by IMD)
- **Top 25 on the Corruption Perception Index**  
(2024: Ranked #57 by Transparency International)
- **Increase labour share of income to 45%**  
(2023: 33% according to 13MP)
- **Top 25 on the Human Development Index**  
(2023: Ranked #67 by UNDP)
- **Towards fiscal sustainability, targeting deficit of 3% or better**  
(2024: -4.1% according to MOF)
- **Increase female labour force participation rate to 60%**  
(2024: 56.5% according to 13MP)

New Industrial Master Plan 2030 (NIMP 2030)

National Energy Transition Roadmap (NETR)

Public Finance and Fiscal Responsibility Act

To achieve the aspirations set for 'Ekonomi MADANI', several policy levers were implemented since the introduction of the MADANI framework

Johor-Singapore Special Economic Zone

KL20 Action Plan

National Semiconductor Strategy

Public-Private Partnership Master Plan 2030

GEAR-uP Program

National TVET Policy 2030

2024

October 2025

## Budget 2026

Fourth MADANI Budget:  
The People's Budget

### Upcoming policies:

- National AI Action Plan 2026-2030
- National Investment Incentive Framework
- National Carbon Market Policy

## 13th Malaysia Plan

August 2025

The 13th Malaysia Plan (13MP) sets the stage for Malaysia's economic future, over a five-year period till 2030, and beyond. It represents a strategic recalibration and a bold shift in line with 'Ekonomi MADANI'.

### 3 Pillars

- A high-income and sustainable nation
- A quality and inclusive living
- A sustainable environment

### 4 Dimensions

- Increase economic agility
- Increase social mobility
- Accelerate the implementation of the public service reform agenda
- Improve the people's wellbeing and environmental sustainability

### Key macroeconomic targets

#### GDP growth

4.5% - 5.5% p.a., 2026-2030

#### GNI per capita

RM77,200 by 2030

#### Private investment growth

6.0% p.a., 2026-2030

#### Inflation rate

2.0% - 3.0% p.a., 2026-2030

#### Unemployment rate

3.0% p.a., 2026-2030

#### Median monthly wage

RM3,500 by 2030

#### Labour productivity growth

3.6% p.a., 2026-2030

#### Fiscal deficit to GDP ratio

<3.0% by 2030

# Economic outlook

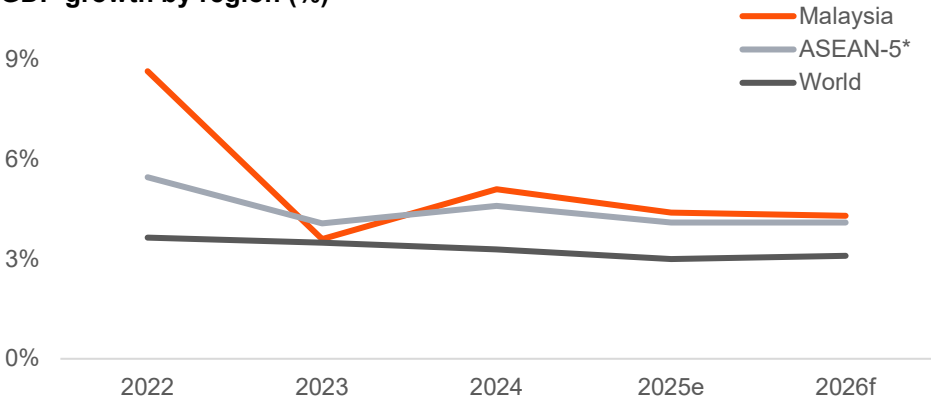
## Stable growth outlook for 2026

Malaysia's economy is expected to grow steadily between 4% and 4.8% in 2025, and 4% to 4.5% in 2026.

Resilient private sector expenditure and steady public sector spending will drive expansion; and inflation is projected to remain low, ranging from 1.3% to 2% in 2026.

## Growth outlook in 2026

GDP growth by region (%)



\*ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Singapore  
e: Estimates; f: Forecast

Source: International Monetary Fund (IMF), Ministry of Finance (MOF)

## Continued sectoral growth

Construction and services sectors are expected to lead with growth of 6.1% and 5.2% respectively. Manufacturing growth remains resilient at 3.0%.

## Malaysia's GDP growth by sector

Year	Overall	Construction	Services	Manufacturing	Agriculture
2026f	4.0%-4.5%	6.1%	5.2%	3.0%	2.2%
2025e	4.0-4.8%	10.1%	5.1%	3.8%	1.2%

e: Estimate; f: Forecast  
Source: MOF

## Driving growth through investment

Domestic demand is expected to remain firm. Private and public investments will be key drivers of economic expansion in 2026.

Investment activity is set to expand, led by capital spending in technology-intensive sectors, like manufacturing and services. Growth will also be supported by public investment in strategic sectors such as utilities, energy, and transportation.

## Malaysia's GDP growth by expenditure

Year	Overall	Public		Private	
		Consumption	Investment	Consumption	Investment
2026f	4.0%-4.5%	3.2%	7.3%	5.1%	7.8%
2025e	4.0-4.8%	4.0%	12.7%	5.0%	10.0%

e: Estimate; f: Forecast  
Source: MOF



# Economic outlook

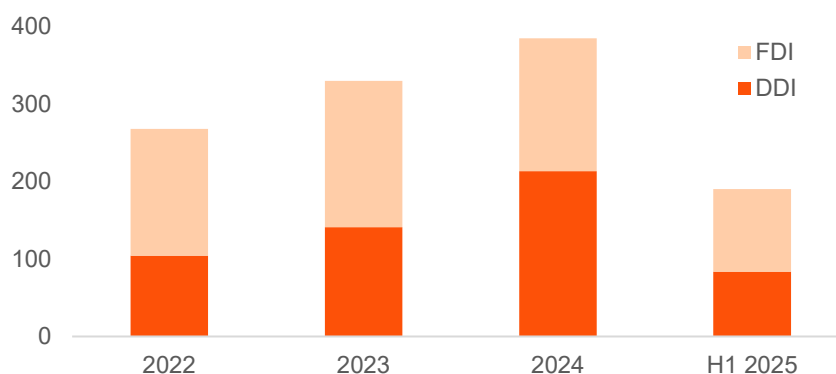
## Approved investments remain elevated

In 1H25, total approved investments rose 18.7% year-on-year to RM190.3 bn, despite global uncertainties.

These investments are expected to be realised, particularly in key sectors such as semiconductors, renewable energy and data centres.

## Malaysia's approved investments between 2022 to 1H2025

RM bn



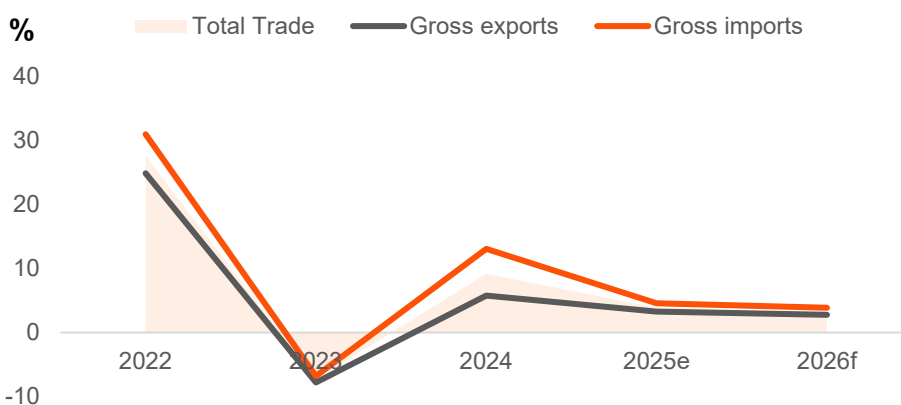
FDI: Foreign Direct Investment; DDI: Domestic Direct Investment  
Source: Malaysian Investment Development Authority (MIDA)

## Trade growth moderates

Trade growth is impacted by external uncertainties.

In 2026, gross exports are forecast to grow by 2.8%, compared to 3.3% in 2025. Exports will be supported by demand for manufactured and agriculture products.

## Malaysia's year-on-year trade growth



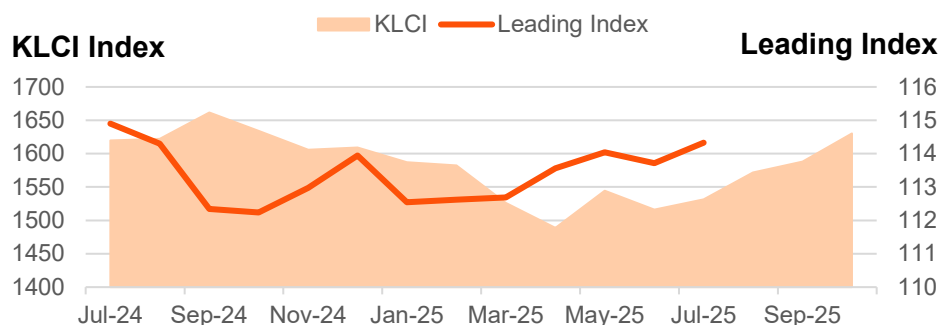
Source: MOF

## Business sentiment remains positive

Amidst ongoing global uncertainties, the positive movements in leading economic indicators signal a continued expansion in economic activities.

The upward trajectory in Bursa Malaysia in the year to-date shows sustained investor confidence.

## Business sentiment and economic direction



KLCI: FTSE Bursa Malaysia KLCI; Leading Index data is only available to July 2025  
Sources: Bursa Malaysia, Department of Statistics Malaysia (DOSM)





# Key Budget measures

## Impact of Budget 2026 economic and fiscal measures

Budget 2026 presents a range of measures to drive sustainable growth whilst safeguarding the welfare of the rakyat.

### Generating meaningful change



Advancing institutional reforms and fiscal health



Strengthening key infrastructure



Upholding the Malaysia Agreement 1963

### Restructuring of the economy to boost growth



Driving strategic investments



Leading in Islamic finance



Empowering MSMEs



Strengthening key sectors



Advancing Bumiputera economy

### Raising the rakyat's standards of living



Safeguarding the Rakyat's welfare



Preparing for an ageing nation and enhancing social protection



Empowering health services and improving lifestyles



Providing support for better education



Expanding access to home ownership



Empowering women



**Sustainability and energy transition agenda**



**Digitalising Malaysia**



**Malaysia's artificial intelligence agenda**

## Key Budget measures

## Generating meaningful change



### Advancing institutional reforms and fiscal health

- **RM700 mn** allocated to **enforcement bodies** such as MACC, PDRM, KPDN, JKDM, and MyCC for training and asset acquisition
- **RM220 mn** allocated to enhance Parliamentary services including:
  - **RM5 mn** to enhance function of the Special Select Committees of Dewan Negara and Dewan Rakyat as check-and-balance over government policies
  - **RM15 mn** to expand coverage of sustainability programmes initiated by the Kumpulan Rentas Parti Parlimen Malaysia to more parliamentary constituencies
- Amend the **Consumer Protection Act to include Lemon Law elements** to protect consumer rights
- Initiatives and funding for digitalisation of public services  
(Refer to 'Digitalising Malaysia' for more details, pg. 16)
- The **e-Invoice** initiative to be implemented comprehensively in 2026, along with the self-assessment system for stamp duty

**Vehicle tax exemption in Langkawi and Labuan** to be limited to vehicles valued at no more than RM300,000, effective 1 January 2026

(Refer to 'Tax proposal highlights' for more details, pg. 18)



### Upholding the Malaysia Agreement 1963

- **RM6.9 bn** federal allocation for Sabah and **RM6 bn** for Sarawak
- RM600 mn in special grants for Sabah and Sarawak



### Strengthening key infrastructure

- **RM13 bn** invested by Pengurusan Aset Air Berhad over five years
- **RM3 bn** allocated to continue funding the National Non-Revenue Water programme, focusing on replacing over 820 kilometres of aged pipes
- **Infrastructure projects in Sabah and Sarawak** include:
  - **RM1.2 bn** in federal funding to ensure electricity supply reliability in Sabah
  - **RM765 mn** for the Southern Link Transmission Line Project
  - **RM2 bn** to develop the Sambungan Kabel Dasar Laut MADANI (SALAM) spanning 3,190 kilometres
- **RM1 bn** is allocated to enhance MADANI initiatives for the people, such as the Kampung Angkat MADANI and Sekolah Angkat MADANI programmes. Companies and individuals with business income who contribute are eligible for income tax deductions
- **RM780 mn** is allocated to JENDELA 2 to extend broadband to 2,700 additional locations
- **RM770 mn** will fund completion of the remaining Phase-2 Points of Presence (PoP) near industrial areas and selected rural and remote schools

## Key Budget measures

# Restructuring of the economy to boost growth



## Driving strategic investments

- **Simplifying investor processes** through:
  - New **ASEAN Business Entity (ABE)** status to facilitate the movement of skilled talent
  - **Investor Pass with Multiple-Entry Visa facility** for prospective investors in key sectors
  - **New outcome-based incentive framework** for manufacturing and services sectors
- **Supporting high-value sectors** through:
  - **RM550 mn** investment by Khazanah and Retirement Fund (Incorporated) (KWAP) to boost local-global collaboration in the semiconductor industry
  - **RM500 mn** funded by Bank Pembangunan Malaysia Berhad (BPMB) in loans under the National Semiconductor Strategy (NSS)
  - **RM200 mn** Strategic Co-Investment Fund to provide matching funds for micro, small and medium enterprises (MSMEs) and mid-tier firms that strengthen key sector supply chains
  - **RM180 mn** allocated under the NIMP Industry Development Fund to finance industrial development programmes
- **Catalysing domestic investment** through:
  - **RM30 bn** under GEAR-uP via government-linked investment companies (GLIC)
  - **RM1.2 bn** Dana Pemacu under KWAP to co-invest with private fund managers
  - **RM250 mn** under Khazanah's Mid-Tier Company Programme to build the capabilities of mid-tier companies
- **Strengthening startup ecosystem** through:
  - **RM750 mn** under KWAP's Dana Perintis and Khazanah's Jelawang Capital
  - Enhancement of **venture capital tax incentives** for a period of 10 years through special tax rates and dividend tax exemptions
- **Multiple initiatives to strengthen the JS-SEZ ecosystem**, including the Iskandar Malaysia Facilitation Centre and the Johor Talent Development Council



## Leading in Islamic finance

- **RM250 mn** investment by UDA Holdings Berhad to lead waqf land development in Penang
- **RM124 mn** to develop the Perak Halal Industrial Park in Manjung
- **RM100 mn** in specialised financing by SME Bank for halal MSMEs
- Labuan IBFC aims to become a **Digital Islamic Finance Hub** with the introduction of the Global Sukuk Tokenisation Initiative and Climate Sukuk



## Empowering MSMEs

- **RM50 bn** total loan and guarantee facilities to support local entrepreneurs, including:
  - **RM30 bn** government guarantee capacity under Syarikat Jaminan Pembiayaan Perniagaan (SJPP), up from RM20 bn in 2025, with the scope expanded to include microentrepreneurs and high-value firms
  - Over **RM2.5 bn** provided in micro loans through channels including Bank Simpanan Nasional (BSN) and TEKUN
- **Supporting local businesses in penetrating export markets** through:
  - **RM5 bn** in guarantees by SJPP, covering up to 70% of qualifying financing for export-oriented mid-sized companies
  - **RM500 mn** in loans provided by EXIM Bank to help companies impacted by global trade tariff tensions
- **RM350 mn** allocated by MCMC to strengthen NADI Centres, which support small entrepreneurs in increasing their incomes through online businesses





## Strengthening key sectors

### ■ Tourism

- **RM700 mn** allocated to boost the tourism sector including **RM500 mn** for the Visit Malaysia Year 2026 campaign
- Various tax incentives to be introduced to help boost the tourism industry.

(Refer to 'Tax proposal highlights' for more details, pg. 18)

### ■ Plantation and commodities

- Nearly **RM2.4 bn** will be allocated to FELDA, RISDA and FELCRA to support over 720,000 settlers, smallholders and their families
- **RM600 mn** by the Malaysian Rubber Board (LGM) to develop a Research Excellence Centre



## Advancing Bumiputera economy

- **RM10 bn** of the RM30 bn SJPP guarantee pool reserved to support Bumiputera entrepreneurs
- **RM6 bn** allocated to Majlis Amanah Rakyat (MARA), Yayasan Peneraju and Universiti Teknologi MARA (UiTM) to prioritise Bumiputera education opportunities
- **RM2.4 bn** allocated for Bumiputera GI-G4 contractors
- **RM200 mn** in loans via the SME Bank Regional Champion Programme to Bumiputera SMEs to penetrate the export market
- **RM105 mn** allocated for VentureTECH to increase Bumiputera equity ownership in the hi-tech sector
- **RM100 mn** provided by the MARA Bumiputera Entrepreneur Scaling Programme to support the growth of startups in strategic high-value sectors





## Key Budget measures

## Raising the rakyat's standards of living



## Safeguarding the rakyat's welfare

- **RM15 bn** allocated for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) (up from RM13 bn in 2025)

RM100 SARA aid will be provided again to 22 mn Malaysians aged 18 and above

- **RM3.1 bn** in cash assistance allocated under the Social Welfare Department to provide aid to over 560,000 recipients

- **RM1 bn** committed to Jualan RAHMAH to provide access to basic needs at affordable prices



## Preparing for an aging nation and enhancing social protection

- **RM1.26 bn** allocated for senior citizen welfare benefitting 180,000 elderly individuals

- **Initiatives under EPF and Social Security Organisation (SOCSO):**

- EPF matching incentive of up to RM600 per year or RM6,000 over a lifetime for gig, e-hailing, and p-hailing workers under the i-Saraan Plus scheme, an extension from the existing i-Saraan scheme for informal and self-employed workers
- The Government will subsidise SOCSO contributions for gig workers in non-mandated sectors by 70% for the first year and 50% for the second year



## Empowering health services and improving lifestyles

- **RM170 mn** allocated to outsource patients from public hospitals to military, university, or private hospitals; and to provide specialist services to the local community

- Private hospitals are allowed to establish a tax-exempt welfare funds to assist underprivileged patients, with contributors also qualified for tax deductions

- RM3,000 tax relief for life insurance or takaful premiums will be expanded to include children  
(Refer to 'Tax proposal highlights' on page 18 for more details)

- Excise duties on the following products will be increased to empower Malaysia's National Health Agenda (ANMS), effective 1 November 2025:
  - Cigarettes – up by RM0.02 per cigarette stick
  - Cigars, cheroots, and cigarillos – up by RM40 per kilogram
  - Heated tobacco products – up by RM20 per kilogram of tobacco content
  - Alcoholic beverages – up by 10%



## Providing support for better education

- **RM4.4 bn** allocated to provide scholarships, loans, and education allowances for underprivileged youth to further their studies

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- Double tax deduction incentive for private sector scholarship is expanded to include qualified professional certification courses

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- Initiatives under PTPTN:
  - **RM120 mn** allocated per year under free education scheme for underprivileged students in public universities
  - **RM90 mn** allocated per year for loan repayment exemptions for first-class honours graduates from low- and middle-income families



## Empowering women

- Amanah Ikhtiar Malaysia (AIM) will receive an additional RM230 mn, raising its total available fund to RM2.9 bn and benefiting over 300,000 women entrepreneurs

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- Women-led MSMEs will benefit from a combined allocation of RM270 mn from Bank Rakyat, BSN, MARA, and SME Bank

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- The RM3,000 childcare tax relief will be extended to cover children up to age 12 in registered day-care or transit centres, effective from the 2026 assessment year

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- The Government will fund legal aid for 5,000 low-income single mothers in divorce and custody cases



## Expanding access to home ownership

- **RM20 bn** allocated under the Housing Credit Guarantee Scheme (SJKP) to support housing financing for the benefit of 80,000 first-time homebuyers

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- **RM500 mn** fund to finance first home loans for contract public servants under BSN

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- 10% special tax deduction on eligible expenses, capped at RM10 mn, for renovating/converting commercial buildings into residential premises  
(Refer to 'Tax proposal highlights' on page 18 for more details)

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- A flat stamp duty ranging from 4% to 8% will be imposed on property transfers involving non-citizens and foreign companies. Permanent residents are excluded  
(Refer to 'Tax proposal highlights' on page 18 for more details)

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- The full stamp duty exemption for first-home purchases of up to RM500,000 is extended until 31 December 2027  
(Refer to 'Tax proposal highlights' on page 18 for more details)

# Sustainability and energy transition agenda

## Towards just transition for a sustainable future

### Driving the green economy

- Tenaga Nasional (TNB) and PETRONAS are collaborating with ASEAN partners to accelerate the **Vietnam–Malaysia–Singapore Project** for renewable energy transmission
- **RM150 mn** allocated to the National Energy Transition Fund
- GLICs and GLCs are committing a combined **RM16.5 bn** to **renewable energy by 2026**
- **100% Green Investment Tax Allowance (GITA)** proposed for companies using locally manufactured **MyHIJAU Mark-certified green technology products**
- **RM1 bn** allocated to the **Green Technology Financing Scheme (GTFS 5.0)**, extended until the 31 December 2026
- **Carbon tax** to be introduced next year, starting with the **iron, steel, and energy** sectors.
- **RM2,500 individual tax relief** expanded to include the **purchase of food waste grinders**

### Investing in resilient and smart infrastructure

#### To strengthen disaster preparedness:

- **RM460 mn** allocated to the National Disaster Management Agency (NADMA)
- **RM210 mn** allocated to develop an **Early Warning System (EWS)**
- **RM2.2 bn** allocated to long-term flood prevention efforts through **43 Flood Mitigation Plan (RTB)** projects, including 12 new initiatives
- Over **RM260 mn** allocated for nationwide slope prevention, maintenance and repairs

#### Urban mobility

- Prasarana will receive **310 new buses** to increase service frequency in key areas. The Kelana Jaya LRT line will also be upgraded with 26 new trains worth RM1 bn
- **300 Demand Responsive Transit (DRT)** vans will be operational by the end of 2025 to improve first- and last-mile connectivity
- **1,450 electric buses** and **300 electric vans** will be procured in stages by 2030

### Funding for ecological preservation

- **RM250 mn** allocated to the **Ecological Fiscal Transfer (EFT) fund** to support state-level biodiversity preservation, including **RM50 mn** disbursed to state governments
- **RM300 mn** set aside to rehabilitate, maintain and clean rivers nationwide

### Investing in food security

- **RM2.6 bn** in subsidies and incentives for paddy farmers, covering prices, fertiliser, seeds and more
- **RM100 mn** to rehabilitate problematic paddy fields, upgrade infrastructure, and drive adoption of modern rice farming technologies
- **RM1.1 bn** in financing from **Agrobank** for agri-entrepreneurs to expand business and automate operations

# Digitalising Malaysia

## Embracing technological transformation

### Strengthening the digital ecosystem

**RM25 mn allocated** to the Special Task Force on Agency Reform (STAR) to support digitisation efforts in public dealings, as well as accelerating infrastructure development and fostering innovation

**RM2.7 bn allocated** to support economic activities on the northern border, such as Delapan in the Bukit Kayu Hitam Special Border Economic Zone, which is emerging as a modern growth hub linking the ASEAN supply chain and the digital ecosystem

**Up to RM1 bn** in financing and grants to be allocated by Development Finance Institutions (DFI) to help local companies accelerate automation and digitalisation efforts

- Digital tax stamps with enhanced security features to be introduced to curb counterfeiting and address leakages at national entry points through the Centralised Screening Complex CCTV
- The MyDigital ID initiative targets 15 mn users by the end of 2025. The initiative will be expanded into sectors such as finance, telecommunications, e-commerce and healthcare
- The Malaysian GovTech Unit will be strengthened to develop more government digital applications using internal expertise
- Bank Negara Malaysia's (BNM) Fund for SMEs will shift to guarantee-based support, prioritising underserved segments and high-impact activities such as digitisation, automation, innovation and green transition
- Initiatives to drive usage of AI in Malaysia's economy

(Refer to 'Malaysia's artificial intelligence agenda' for more details, pg. 17)

### Fortifying national cybersecurity

#### Initiatives to combat scams and cyber threats:

- Drafting of a Cyber Crime Bill
- Cyber Security and Cryptology Development Centre to be established by the National Cyber Security Agency (NACSA)
- **RM12 mn** allocated to the National Scam Response Centre (NSRC)

### Education and upskilling

#### Initiatives to upskill the workforce in digital and technological expertise:

- HRD Corp allocated **RM3 bn** for digital and technology training
- **RM650 mn** provided by the Skills Development Fund Corporation (PTPK) to benefit more than 25,000 trainees in NIMP fields such as AI, EV and semiconductors
- **RM200 mn** allocated to Khazanah's Youth Development programme (K-Youth) in strategic sectors such as semiconductors, machinery, maintenance, repair and overhaul (MRO), digital and technology

#### Initiatives to improve digital literacy amongst youth:

- **RM45 mn** allocated to the National TVET Council to apply digital and AI knowledge to 10,000 tahfiz and pondok students
- 1,500 new undergraduate spaces to be added in 5 research universities, in fields such as AI, law, accounting, economics, banking, Islamic finance, and languages



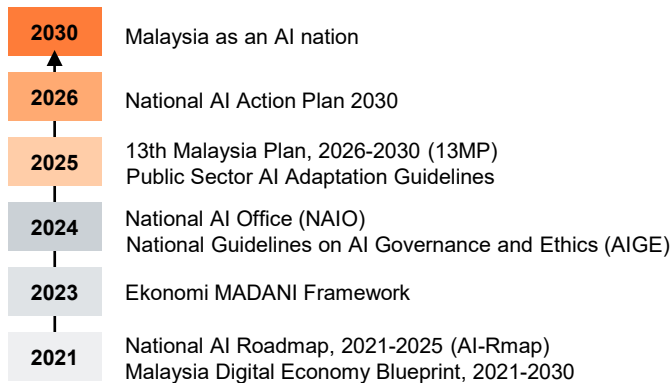
# Malaysia's artificial intelligence agenda



## Positioning Malaysia as an AI nation

Malaysia aims to be an AI nation by 2030. The 13MP outlines a comprehensive 'Made by Malaysia' strategy to cultivate a robust AI ecosystem and transition the country from an AI consumer to a producer of AI-driven products and services. This transformation is underpinned by various national strategies and frameworks.

### AI-related policies and guidelines



Source: Ministry of Finance, 'Economic Outlook 2026'

So far, we have seen considerable progress:

**RM13 bn**

total approved investments  
on AI (Jan-Jun 2025)

**6,920**

potential jobs to be created  
from the investment

Source: Minister of Digital as quoted in Bernama, 2025

## Budget 2026 measures to boost Malaysia's AI ambition

### Financing innovation

**RM5.9 bn** for research, development, commercialisation and innovation, including on AI

- **RM500 mn financing by Small Medium Development Bank** for high value-add activities under the National Semiconductor Strategy
- **RM180 mn NIMP Industrial Development Fund** to finance high-impact industrial programmes in key high-impact sectors such as semiconductor and AI
- **RM53 mn Malaysia Digital Acceleration Grant** to accelerate the growth of technologies like AI

### Strengthening governance

- **RM2 bn investment for MCMC** to develop Sovereign AI Cloud. MCMC to also establish AI Transformation Centre and Center of Excellence in Ethics for Emerging Technologies

### Building AI capabilities

- **RM20 mn for NAIO** to develop talent, and to create an efficient AI ecosystem
- **50% tax deduction for MSMEs** for training costs related to AI and cyber security recognised by the MyMahir National AI Council for Industry (NAICI)

## What PwC's research says

PwC's latest report based on data-driven research, '**Value in motion**', reveals that AI can potentially boost global GDP by up to 15 percentage points by 2035. This hinges on our ability to deploy it responsibly and earn society's trust. However, there are still gaps in AI adoption in business.

**49%** of corporate leaders in Malaysia are actively piloting AI initiatives

**29%** have embedded AI into their strategic priorities and organisational culture

**10%** of directors in Malaysia are confident in their own and their management's ability to oversee and execute their company's GenAI strategy

To unlock the **full potential of AI**, corporate leaders should consider these actions:

1. Establish a robust and adaptive AI governance framework
2. Foster a digital-first mindset across all levels of the organisation
3. Recognise and elevate human value in the age of AI

Source: PwC's AI Leadership Maturity Assessment, PwC Malaysia Corporate Directors Survey 2024

# Tax proposal highlights

## Individual income tax relief—enhancements related to children



### Effective for year of assessment (YA) 2026

#### Total tax relief maintained at **RM3,000**

for childcare fees is maintained, and eligible childcare premises are expanded to include daily care centres or after-school transit centres registered with Department of Social Welfare, for children aged up to 12 years old

#### Individual income tax relief of up to **RM1,000**

for certain vaccination expenses for self, spouse and child is expanded to include all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health

#### Tax relief of up to **RM10,000**

to cover expenses related to assessment and diagnosis, early intervention programmes, and rehabilitation treatment for children aged 18 years and below with learning disabilities

#### Tax relief of up to **RM3,000**

for life insurance premiums or takaful contributions for self, husband and wife is expanded to include children, subject to meeting specified conditions

## Individual income tax relief for expenditure related to environmental sustainability and home safety

### Effective for YAs 2026 and 2027

#### Tax relief of up to **RM2,500**

is currently available for electric charging facilities and food composting machines, and will be expanded to include household food waste grinders and closed-circuit television (CCTV) for home use. The claim is allowed once within two YAs

## Housing and property



Special tax deduction of 10% of qualifying expenditure, capped at RM10 mn, for modification / converting commercial buildings into residential premises

Increase in stamp duty rate from 4% to 8% on instruments of transfer executed from 1 January 2026 by non-citizen individuals (excluding Malaysian permanent residents) and foreign companies for transfer of residential homes

Extension of 100% stamp duty exemption on instruments of transfer and loan agreements for purchase of first residential home priced up to RM500,000 for two years; applies to sale and purchase agreements executed from 1 January 2026 to 31 December 2027



# Tax proposal highlights

## New Investment Incentive Framework

Implementation for manufacturing sector commences in first quarter of 2026, followed by services sector in second quarter of 2026

## Individual income tax on profit distributions from Limited Liability Partnerships (LLPs)

Effective YA 2026, following from the 2% dividend tax announced last year, a 2% tax is to be imposed on chargeable income from profit distributions received by individual partners (resident and non-resident) in LLPs, where the annual profit distribution exceeds RM100,000

Profit distributions received from LLPs are required to be reported in the individual's income tax return form

## Expansion and extension of exemption on foreign-sourced income (FSI)

The income tax exemption on foreign-sourced dividends and gains from the disposal of foreign capital assets received in Malaysia is expanded to include cooperative societies and trust bodies. The exemption is currently limited to resident companies and LLPs

A four-year extension (from 1 January 2027 to 31 December 2030) of income tax exemption on foreign-sourced dividends, gains from the disposal of foreign capital assets, and FSI for unit trusts was also announced

## Accelerated Capital Allowance (ACA) on plant, machinery and ICT equipment

For qualifying capital expenditure incurred between 11 October 2025 to 31 December 2026, a 20% initial allowance and a 40% annual allowance can be claimed on the following:

**1**

Procurement of plant, general machinery and heavy machinery acquired from local manufacturers

**2**

Purchase of ICT equipment and computer software

**3**

Consultation, licencing and incidental fees related to customised computer software development

## Increase in wage threshold for stamp duty exemption on employment contracts

Wage threshold for stamp duty exemption on employment contracts increased from RM300 to RM3,000 for employment contracts executed from 1 January 2026

# Tax proposal highlights

## Visit Malaysia Year 2026

In line with Visit Malaysia Year 2026, the Government has unveiled a suite of tax incentives aimed at boosting the tourism sector and enhancing Malaysia's appeal as a premier travel destination. Details of the incentives are as follows:



### 1. Renovation and refurbishment tax deduction

Businesses can enjoy a **tax deduction of up to RM500,000** on expenses incurred for renovation and refurbishment projects aimed at enhancing domestic tourism products. This is applicable for expenses incurred from 11 October 2025 to 31 December 2027

### 2. Tour operator tax exemption

Tour operators that successfully attract at least 1,000 foreign tourists annually will benefit from a **100% tax exemption on incremental income derived from inbound tourism packages** for YA 2026 and 2027, subject to specific conditions

### 3. International event organiser tax exemption

Organisers verified by the Ministry of Tourism, Arts and Culture (MOTAC) will receive a **100% income tax exemption on statutory income** from qualifying international events (incentive trips, conferences, and trade exhibitions) for YAs 2026 and 2027, subject to specific conditions

### 4. Expanded tax exemption for cultural activities

The existing 50% tax exemption on statutory income for companies organising arts, cultural, sports, and recreational activities is expanded to tourism activities approved by MOTAC as well as approved international sports and recreational competitions. Venues for arts, cultural, and tourism activities are broadened to include locations endorsed by MOTAC. Applicable for YA 2026 and 2027

### 5. Individual tax relief

Special individual income tax relief of up to RM1,000 for YA 2026 for payment of entrance fees to local tourist attractions and cultural and art programmes, encouraging greater participation in Malaysia's vibrant cultural offerings



# Let's talk



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# Register for our Budget 2026 Seminar

**Thursday, 30 October 2025 | Mandarin Oriental, Kuala Lumpur**  
**A seminar by PwC's Academy**



**Budget 2026 Seminar**  
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**Scan to register**



**Thursday, 30 October 2025**  
**Mandarin Oriental, Kuala Lumpur**

Budget 2026—the fourth instalment of the MADANI Budgets and the first under the 13th Malaysia Plan—builds on the Government's reform agenda to "Raise the Ceiling, Raise the Floor and Drive Reform & Good Governance".

Key themes span fiscal consolidation under the Public Finance & Fiscal Responsibility Act, the New Investment Incentive Framework, National Semiconductor Strategy, targeted subsidies, labour-market reforms and an expanded social-protection net.

Join PwC's specialists and guest panellists from the Ministry of Finance (MOF) and Inland Revenue Board of Malaysia (IRAS) as we unpack the proposals and analyse what they mean for businesses, investors and the wider economy.

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