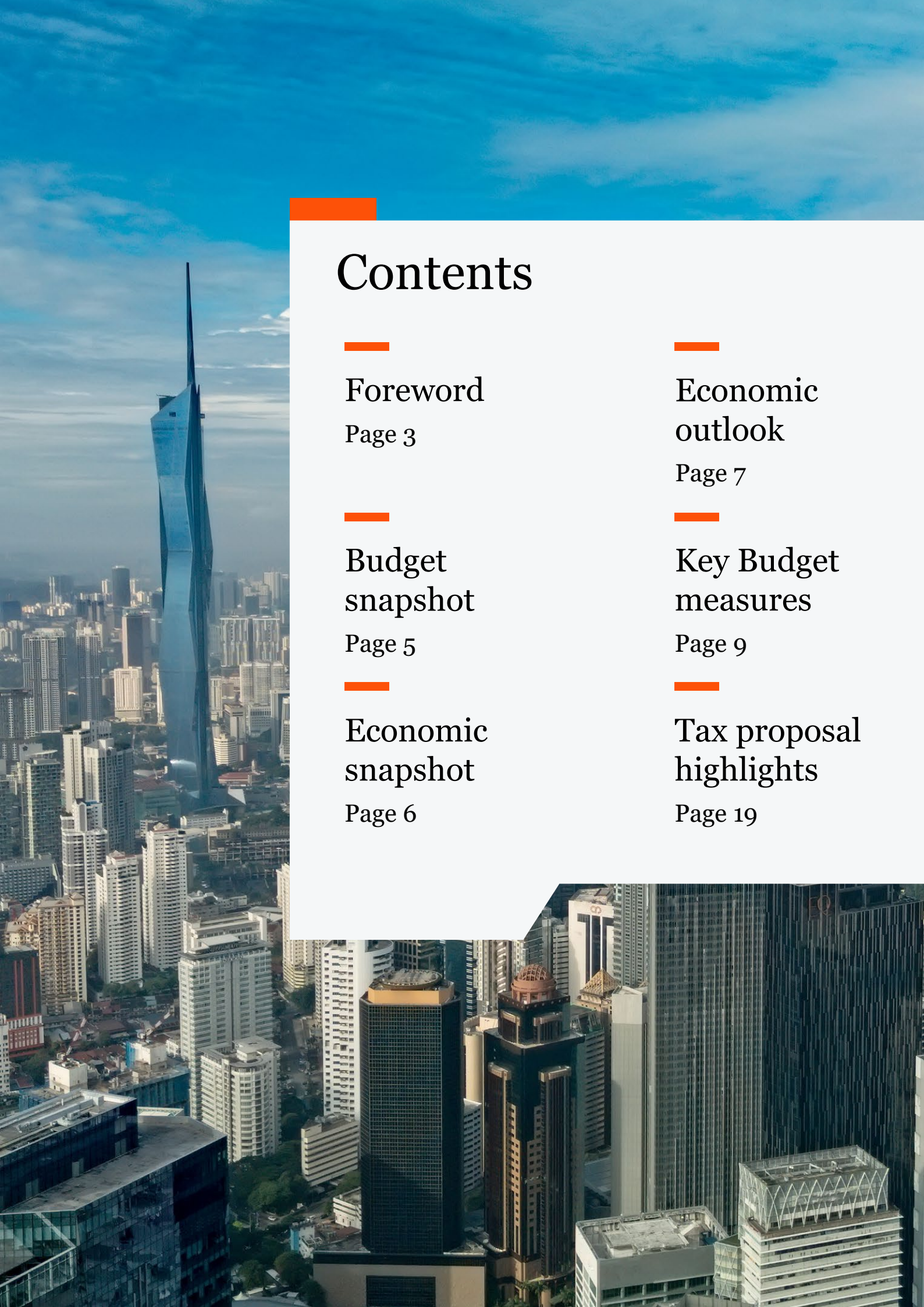




Centre Stage:

Budget 2027 overview



An aerial photograph of a city skyline. A prominent blue skyscraper with a sharp, pointed top stands out among other buildings. The sky is a clear, vibrant blue with some light clouds. The city below is densely packed with various buildings, including residential and commercial structures.

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Foreword

“ Budget 2027 arrives at an important moment for Malaysia, signalling a commitment to strengthen competitiveness, support livelihoods, and restore resilience. More than a fiscal statement, it reflects a continued effort to position the nation for long-term growth.

Steve Chia
Tax Leader
PwC Malaysia

Budget 2027 reflects a careful balance between supporting the economy and maintaining fiscal responsibility. Amidst a backdrop of geopolitical volatility and elevated oil prices, this is no small feat. At RM510 bn, compared with RM470 bn in 2026, the Budget remains expansionary. Yet the fiscal deficit is projected to narrow from 3.6% in 2026 to 3.3% in 2027, keeping Malaysia on the path towards 3% by 2028.

Giving back, with discipline

The logic underpinning Budget 2027 is clear. Savings from subsidy targeting and stronger revenue collection are being returned to the rakyat and businesses without loosening fiscal discipline. Federal revenue for 2026 is now projected at RM363.6 bn, above the original estimate of RM343.1 bn, and is expected to rise further to RM380.8 bn in 2027. This provides the Government with room to offer targeted relief while continuing to meet its wider fiscal commitments.

Easing pressures on the rakyat

Budget 2027 responds directly to cost-of-living concerns, particularly among middle-income households. The increase in individual tax relief from RM9,000 to RM12,000, together with the reduction in selected personal income tax rates, is expected to provide up to RM1,600 in additional disposable income to around 5 million taxpayers. The widening of reliefs ranging from medical, parental care, education, and lifestyle expenses also reflects how Malaysians live and spend today. The expanded stamp duty relief on homes valued up to RM750,000 and RM20 bn in Housing Credit Guarantee Scheme (SJKP) guarantee could help more Malaysians overcome financing barriers and achieve home ownership.

Beyond tax, the increased allocation for Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah and the higher minimum wage from RM1,700 to RM2,000 reinforce the Government's focus on household wellbeing, while being mindful of businesses managing higher operating costs.

Fuelling SMEs as an engine of growth

SMEs, who contribute around 40% of the economy and employ about half the workforce, are significant beneficiaries in this Budget. Reduced income tax rates, a higher small-value asset threshold, accelerated capital allowances, and a RM10 flat rate stamp duty treatment for selected financing arrangements could help businesses manage cash flow and invest for growth. Financing guarantees of up to RM32 bn provide further support as SMEs adapt to rising costs and a more competitive environment. The exemption for MSMEs with annual revenue below RM50 million from the increased minimum wage should help ease cost pressures for smaller businesses.

Strengthening accountability

The push for accountability continues, with tighter salary deduction rules reinforcing payroll compliance and efforts to curb undocumented foreign labour. The RM1.1 bn allocation for enforcement agencies and the Government Procurement Act, effective from 2027, further underscore the focus on compliance and institutional integrity.

Sharpening Malaysia's investment proposition

Budget 2027 also strengthens Malaysia's proposition for regional and global investors. The enhanced Global Services Hub incentive, offering a 5% special tax rate for up to 30 years, provides greater long-term certainty for groups considering Malaysia as a base for regional headquarters, shared services, and treasury centres. Measures supporting fund managers, sukuk issuers, family offices, and investments in green assets, local capabilities, and skills further reinforce Malaysia's competitiveness in strategic sectors.

As Malaysia enters the second year of the 13th Malaysia Plan, Budget 2027 sets a constructive direction by giving back to taxpayers, supporting business growth, and maintaining fiscal discipline. Its ultimate impact will depend on timely legislation, clear guidance, and rigorous execution. I remain hopeful that Budget 2027 will strengthen confidence, encourage investment, and improve the lives of all Malaysians.

Steve Chia

Tax Leader, PwC Malaysia

Budget snapshot

Fiscal position

Budget 2027 remains expansionary, with continued efforts to reduce the fiscal deficit.



Revenue
RM381 bn



Expenditure
RM460 bn

Narrowing budget deficit

2027: -3.3% of GDP

2026: -3.6% of GDP

Government debt

(Back below the debt ceiling of 65%)

2027: 63.7% of GDP

2026: 64.0% of GDP

Revenue

Higher revenue reflects resilient economic growth, increased income and indirect tax collections, and sustained improvements in revenue administration.

↑ **4.7%**
Revenue

2027 RM381 bn

2026 RM364 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.

Expenditure

The increase is driven by higher salary, pension and debt service commitments, and sustained development investment, while subsidy spending eases.

↑ **3.6%**
Expenditure

2027 RM460 bn

2026 RM444 bn

↑ **3.8%** Operating expenditure

2027: RM377 bn

2026: RM363 bn

↑ **2.5%** Gross development expenditure

2027: RM83 bn

2026: RM81 bn

Economic snapshot

Policies in tandem

Aspirations for Malaysia

Ekonomi MADANI targets by 2033

Top 30 largest economy (2026: Ranked #33)	< 3% fiscal deficit to GDP (2026e: -3.6%)
Top 12 in global competitiveness (2026: Ranked #15)	60% female labour participation (2026: 56.6%)
Top 25 on the Corruption Perception Index (2026: Ranked #54)	45% labour share of income (2026: 33.9%)
Top 25 on the Human Development Index (2026: Ranked #67)	

e: Estimates;
Source: Ministry of Finance (MOF)

Key macroeconomic targets based on the 13th Malaysia Plan

GDP growth: 4.5%–5.5% p.a., 2026–2030	GNI per capita: RM77,200 by 2030	Private investment growth: 6% p.a., 2026–2030	Labour productivity growth: 3.6% p.a., 2026–2030
Unemployment rate: 3.0% p.a., 2026–2030	Median monthly wage: RM3,500 by 2030	Inflation rate: 2.0%–3.0% p.a., 2026–2030	Fiscal deficit to GDP ratio: <3.0% by 2028

Major enabling frameworks and levers already in motion

NIMP 2030 Industrial transformation through digitalisation, net zero, and economic complexity.	NETR 70% renewable energy capacity by 2050 through six transition levers.	National AI Action Plan Top 10 global AI readiness by 2030.	NIF Incentives tied to high value jobs, innovation, and sustainability outcomes.
Investment and growth - Johor-Singapore Special Economic Zone - KL20 - GEAR-uP - National Semiconductor Strategy	People and wages National TVET policy 2030	Sustainability and governance - Public-Private Partnership Master Plan 2030 (PIKAS 2030) - Public Finance and Fiscal Responsibility Act - National Carbon Market Policy	

Budget 2027—the annual delivery mechanism

RM460 bn Federal expenditure	3.3% Fiscal deficit target	RM83 bn Development expenditure
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Note:

NIMP 2030: New Industrial Master Plan 2030

NETR: National Energy Transition Roadmap

NIF: New Incentive Framework

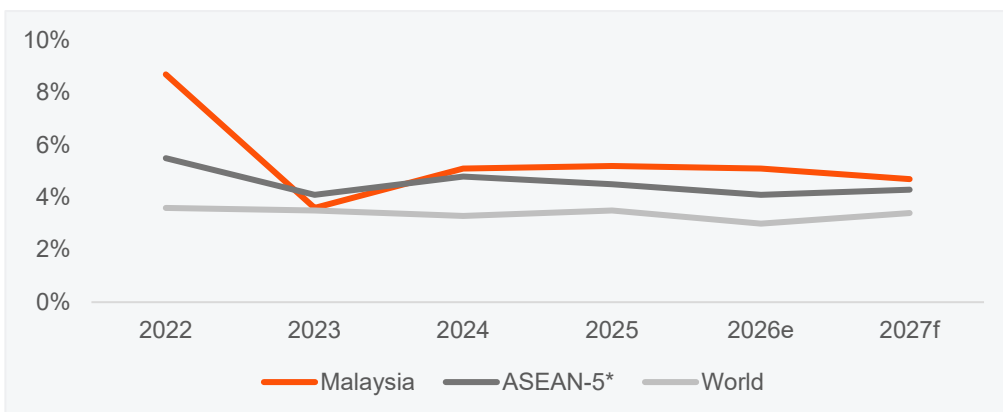
Economic outlook

Sustained growth momentum in 2027

Malaysia's economy is expected to remain resilient in 2027, with GDP growth moderating to 4.2%–5.2%, from 4.8%–5.3% in 2026.

Growth is expected to be supported by sustained investment in technology, manufacturing and infrastructure, strong semiconductor and AI-related demand, and resilient domestic consumption.

Growth outlook in 2027



*ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Singapore

e: Estimates; f: Forecast | Source: International Monetary Fund (IMF), Ministry of Finance (MOF)

Broad-based sectoral growth

Construction is expected to lead growth in 2027, followed by services and manufacturing, supported by sustained domestic demand and continued technology and infrastructure investment.

Malaysia's GDP growth by sector

Year	Overall	Construction	Services	Manufacturing	Agriculture
2027f	4.2%–5.2%	5.7%	5.2%	4.1%	0.5%
2026e	4.8%–5.3%	6.4%	5.5%	6.2%	-2.1%

e: Estimate; f: Forecast | Source: MOF

Investment-led growth

Private investment is expected to remain robust in 2027, driven by technology, semiconductor, digital infrastructure, and manufacturing projects.

Private consumption will continue to underpin growth, supported by resilient household spending.

Public consumption and investment will provide further support through ongoing infrastructure development and targeted government spending.

Malaysia's GDP growth by expenditure

Year	Domestic demand	Public		Private	
		Consumption	Investment	Consumption	Investment
2027f	5.1%	3.2%	6.8%	4.8%	7.1%
2026e	5.4%	3.8%	7.7%	5.0%	7.8%

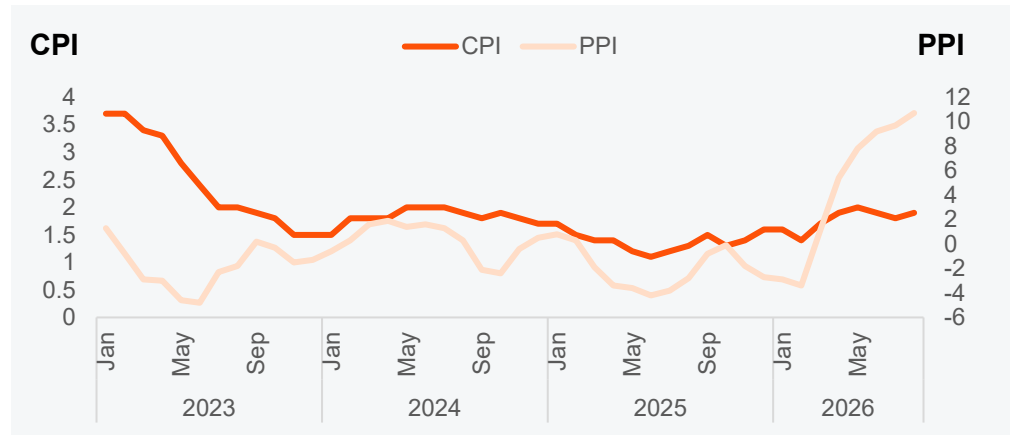
e: Estimate; f: Forecast | Source: MOF

Moderate inflation outlook

Headline inflation is expected to remain manageable at 1.8%–2.8% in 2027, supported by continued subsidies and relatively contained consumer price pressures.

Producer price index (PPI) is expected to moderate in 2027 as input cost pressures ease, though energy and supply chain risks remain.

Malaysia's consumer and producer inflation rates (%)



CPI: Consumer Price Index; PPI: Producer Price Index
Source: Department of Statistics Malaysia (DOSM)

Resilient trade outlook

Export growth is expected to moderate in 2027 following a strong 2026, driven by the technology upcycle and rapid advances in AI.

Growth will continue to be supported by AI-related demand, sustained foreign investment, and Malaysia's strategic role in global supply chains.

Malaysia's year-on-year trade growth



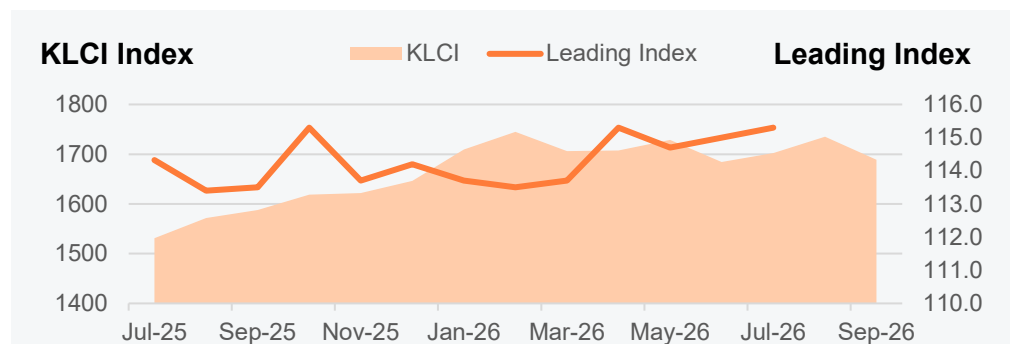
Source: MOF

Positive sentiment despite volatility

Business sentiment remains positive, supported by resilient demand, ongoing investment, and technology-led growth, despite global headwinds and rising costs.

The FBM KLCI has held near multi-year highs, though geopolitical tensions continue to drive periodic volatility.

Business sentiment and economic direction



KLCI: FTSE Bursa Malaysia KLCI; Leading Index data is only available to July 2026
Sources: Bursa Malaysia, DOSM



Key Budget measures

Impact of Budget 2027 economic and fiscal measures

Budget 2027 presents a range of measures to drive sustainable growth whilst safeguarding the welfare of the rakyat.

Generating meaningful change



Enhancing regional growth ecosystems



Strengthening national security and border protection



Investing in energy resilience and sustainability



Governance, transparency and legal reform

Restructuring of the economy to boost growth



Advancing the Bumiputera economy



Empowering MSMEs and local businesses



Leading in Islamic finance and halal economy



Driving strategic investments and sectors

Raising the rakyat's standard of living



Addressing the rising cost of living



Enhancing the healthcare system and preparing for an ageing nation



Promoting dignified wages and protecting gig workers



Expanding access to home ownership



Supporting better education



Powering a high value economy



Securing the digital economy



Revitalising healthcare

Key Budget measures

Generating meaningful change



Enhancing regional growth ecosystems

- Penang to be the **nation's technology finance centre**. Khazanah and InvestPenang to establish **RM100 mn Strategic Investment Fund** for semiconductor and manufacturing companies.
- Tax deduction for locally owned automotive vendors relocating to the Automotive Hi-Tech Valley.
- High-tech Technical and Vocational Education and Training (TVET) courses to be delivered through the Melaka Centre of Excellence.
- Infrastructure development planned for the Lembah Chuping Development Area and NCER Agribio Economic Zone.
- Formal negotiations to establish the Sibu Special Economic Zone, including its incentive framework and one-stop investment centre.
- Major investments in East Malaysia will boost energy resilience and connectivity:
 - **RM600 mn** allocated for Sabah's electricity supply
 - **RM204 mn** to install Statcom systems in Sabah
 - **RM3.3 bn** for major road projects
 - **RM1.1 bn** from the Government and MAHB to improve roads around ports and airports



Investing in energy resilience and sustainability

- Public-linked institutions mobilised to advance energy resilience goals:
 - **RM15 bn** from **Tenaga Nasional Berhad (TNB)** to strengthen the national electricity grid
 - **RM1 bn** from **UEM Lestra**, including energy storage at **KLIA** and a **1-GW hybrid energy** project in Johor
 - **RM1 bn KWAP Climate Fund** for renewable energy and decarbonisation projects
- Green technology **tax incentives** for companies, including up to **100% Investment Tax Allowance**, extended to end-2030 for eligible projects.
(Refer to 'Tax proposal highlights' for more details)



Strengthening national security and border protection

- **RM7.1 bn** to buy and maintain assets of the armed forces, police, and uniformed bodies, with **MOHA** and **MINDEF** each receiving **RM22 bn**.
- **RM490 mn** allocated to the Border Control and Protection Agency.
- **RM1.1 bn** to intensify the operations of Malaysian Anti-Corruption Commission (MACC), Royal Malaysia Police (RMP), Ministry of Domestic Trade and Costs of Living (KPDN), Royal Malaysian Customs Department (RMCD), and Malaysia Competition Commission (MyCC)



Governance, transparency and legal reform

- **Government-owned Entities Bill** to be enacted to strengthen governance of government-linked companies (GLCs) and statutory bodies.
- **Government Procurement Act** takes effect in 2027 with contractors and contract values to be disclosed to the public.
- **A Malaysian Law Reform Commission** is being studied, and contract, sale of goods and mediation laws are under review to speed up dispute resolution.
- **The Road Transport Act** will be amended to require drivers under the influence of alcohol or drugs to compensate victims.

Key Budget measures

Restructuring of the economy to boost growth



Advancing the Bumiputera economy

- **RM7.5 bn** allocated for Bumiputera G1-G4 contractors.
- **RM2 bn to be invested by government-linked investment companies (GLICs) to empower Bumiputera companies**, including:
 - Listing support from Ekuinas and PHB
 - **RM250 mn** Dana Ciptawan by Khazanah and TERAJU for Bumiputera mid-tier firms
- **RM1.5 bn** for a centralised solar park for Government buildings, with 150 MW of LSS6 reserved for Bumiputera companies.
- **Advancing Bumiputera businesses** through:
 - **RM1 bn** in TERAJU financing and enhanced Bumiputera project oversight
 - **RM500 mn** in PUNB's financing fund, increased from RM350 mn
 - **Stamp duty of only RM10** on loan and financing agreements under CAKNA II and CAKNA I

(Refer to 'Tax proposal highlights' for more details)



Leading in Islamic finance and halal economy

- Shariah-compliant fund management providers get a 40% income tax exemption for year of assessment (YA) 2028-2030.
- **RM5,000** matching grant for MSMEs seeking halal certification for the first time, plus RM25,000 grants for halal MSMEs in cosmetics and pharmaceuticals.
- Sukuk Prisma issuers can deduct Securities Commission Malaysia (SC)-approved issuance costs for YA 2027-2030, and grants under the SRI Sukuk and Bond Grant Scheme are tax-exempt from 1 January 2027.

Note:

MSMEs: Micro, Small, and Medium Enterprises



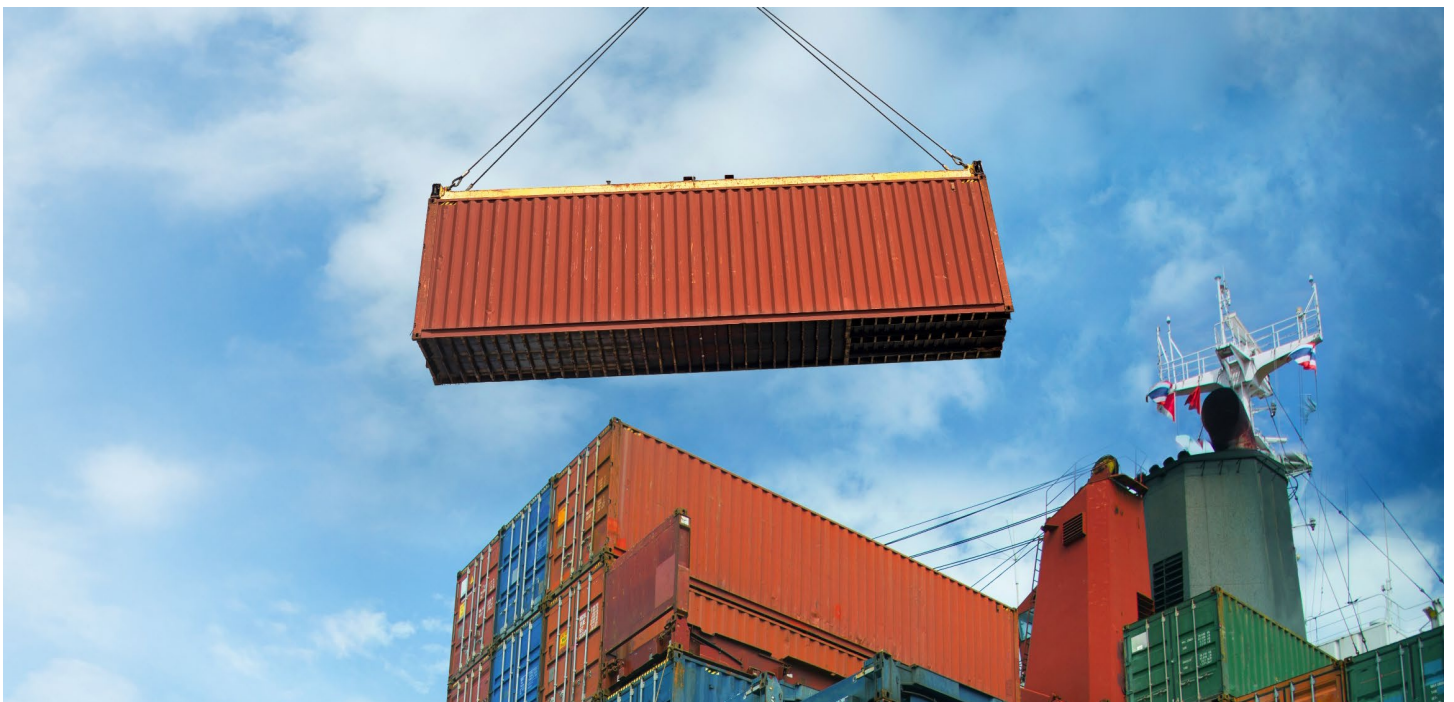
Key Budget measures

Restructuring of the economy to boost growth



Empowering MSMEs and local businesses

- The MSME income tax rate is cut by one percentage point (p.p) – to 14% on the first RM150,000 and 16% on RM150,001 to RM600,000 – giving 300,000 MSMEs up to RM6,000 more in additional income.
- **RM200 mn** for Geran Sejahtera MADANI equipment and training grants for 40,000 recipients, especially women.
- **RM6.6 bn** in micro-financing in 2027, including:
 - **RM1.3 bn** from TEKUN
 - **RM1.7 bn** from Bank Simpanan Nasional (BSN)
- **RM1 bn** in Bank Pembangunan Malaysia Berhad (BPMB) financing for MSMEs exploring export markets and **RM60 mn** for Malaysia External Trade Development Corporation (MATRADE) to build export capacity of local companies.
- An E-commerce Bill will be tabled to strengthen platform and seller accountability.
- **RM32 bn** in financing guarantees from Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) and Credit Guarantee Corporation (CGC), with SJPP extended to mid-tier companies in all sectors, its limit raised to RM50 mn and RM1 bn reserved for local M&A.
- **Catalysing domestic investment** through:
 - **RM25 bn** mobilised by GLICs through GEAR-uP
 - **RM1.25 bn** New Economy Venture Fund for data centres and logistics in Elmina
 - **RM1.2 bn** from Khazanah and KWAP for local semiconductor firms



Key Budget measures

Restructuring of the economy to boost growth



Driving strategic investments and sectors

■ Strengthening startup and mid-tier ecosystem through:

- **RM450 mn** for startups from Jelawang Capital and Dana Perintis
- **RM270 mn** to draw private capital via equity crowdfunding (ECF) and peer-to-peer (P2P) platforms, with the income tax exemption for ECF and angel investors extended to 31 December 2030
- SemiconStart will provide follow-on equity to IC design and advanced packaging startups
- Advancing Malaysia's AI agenda through the Sovereign AI Cloud, 100,000 additional AI subscriptions and free Coursera courses for youth, RM6 billion for R&D and commercialisation

(Refer to 'Securing the digital economy' for more details)

■ Talent attraction measures and RM8 bn investment in TVET to strengthen the workforce pipeline

(Refer to 'Powering a high value economy' for more details)

- The Global Services Hub (GSH) incentive is enhanced from 1 January 2027.

(Refer to 'Tax proposal highlights' for more details)

- **RM12 bn** investment potential for Nexus Sedenak as a new JS-SEZ industrial hub, expected to create 45,000 jobs.

- A Multi-Family Office model will be introduced in Forest City alongside the Single Family Office (SFO) scheme's zero tax on qualifying income for up to 20 years.

- **RM7 bn** from the BPMB Group across seven strategic sectors to support high-impact industries and core sectors including renewable energy, logistics, aerospace and semiconductors.

- Extended key tax incentives, including accelerated capital allowance for investment in assets and tax exemptions for Malaysian shipping companies.

(Refer to 'Tax proposal highlights' for more details)

- The Government increased investments in key sectors:

- Allocating **RM935 mn** for tourism
- **RM460 mn** for sports development
- Over **RM130 mn** for the creative industry
- **RM1.26 bn** to strengthen FELDA
- **RM300 mn** to intensify federal-state agri-food projects
- **More than RM1 bn** in financing for agri-entrepreneurs through Agrobank, Bank Rakyat, and the Co-operative Commission, plus over RM40 mn for high-value agri products

Key Budget measures

Raising the rakyat's standard of living



Addressing the rising cost of living

- **RM16 bn** allocated for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA), up from RM15 bn in 2026.
- **Nearly RM3.3 bn** in assistance allocated under the Department of Social Welfare.
- **RM1 bn** in total for Jualan RAHMAH MADANI, Jualan Agro MADANI and the distribution of basic goods to rural and remote areas.
- Higher tax reliefs and lower individual tax rates will provide 5 mn taxpayers with up to **RM1,600** more in disposable income.

(Refer to 'Tax proposal highlights' for more details)



Promoting dignified wages and protecting gig workers

- Measures to promote dignified wages:
 - **RM2,000** minimum wage from June 2027 (from RM1,700); MSMEs with sales below RM50 mn exempted
 - **RM2,500** for semi-skilled workers and graduates
 - **RM3,400** for employees of GLICs and GLCs
- **RM160 mn** co-funded by the Government and Grab to increase net earnings and improve gig workers' welfare while a minimum earnings rate is being developed.
- **RM270 mn** from BSN and Agrobank to finance gig workers starting businesses or purchasing their first homes.
- Initiatives under EPF and the Social Security Organisation (SOCSO):
 - EPF matching incentive of up to **RM600** per year or **RM6,000** over a lifetime for e-hailing and p-hailing workers.
 - **35%** SOCSO matching contribution incentive for e-hailing and p-hailing workers, rising to **50%** where platform companies also contribute.
 - **70%** SOCSO matching contribution incentive for self-employed workers in 17 non-mandatory sectors.

Key Budget measures

Raising the rakyat's standard of living



Supporting better education

- **RM1 bn** allocated for Early Schooling Aid, providing **RM200** per student and benefiting 5.3 mn students.
- **RM870 mn** allocated for Rancangan Makanan Tambahan.
- **RM100 mn** matching grant from GLIC and GLC foundations to strengthen the childcare ecosystem and provide training to 6,000 childcare providers.
- Tax deduction of up to **10%** of aggregate income for donations to public universities.



Enhancing the healthcare system and preparing for an ageing nation

- Measures to enhance Malaysia's healthcare system include:
 - RM47.7 bn allocation to the Ministry of Health, the MediAsas plan from 2027
 - Care economy initiatives for an ageing nation
 - Support for medtech and life sciences

(Refer to 'Revitalising healthcare' for more details)



Expanding access to home ownership

- **RM20 bn** in housing financing guarantees under Housing Credit Guarantee Scheme (SJKP) to support 80,000 first-time homebuyers, particularly the self-employed.
- Nearly **RM1 bn** allocated for Rumah Mesra Rakyat and Program Residensi Rakyat, including four new projects in Kulai, Nilai, Paya Rumput, and Lembah Pertang.
- Stamp duty incentives (2027-2030):
 - **100%** stamp duty exemption for first-home purchases of up to RM500,000.
 - For first homes valued at up to RM750,000: **100%** stamp duty exemption on the first RM500,000 and **50%** on the balance.
 - **100%** stamp duty exemption to support the rehabilitation of abandoned housing projects.

(Refer to 'Tax proposal highlights' for more details)

Key Budget measures

Powering a high value economy

Building a future-ready workforce

The ability to attract, develop and retain skilled talent will be critical to sustaining Malaysia's competitiveness in the age of AI.

Budget 2027 signals a coordinated effort to strengthen Malaysia's talent pipeline, supporting the transition towards a higher-value, innovation-driven economy.

Raising the floor for the workforce

- **Increase in minimum wage from RM1,700 to RM2,000** from June 2027, with exemptions for MSMEs with annual sales below RM50 mn.
- **RM2,500 minimum wage for semi-skilled workers and graduates**, under a reform of the workers' income framework.
- GLICs and GLCs to raise their **living wage benchmark from RM3,100 to RM3,400**.
- The Gig Workers Consultative Council will finalise a minimum income rate, earnings formula, and minimum social protection standards for gig workers in early 2027.
 - Pending that, a **RM160 mn package to be co-funded by the government and Grab** to boost e-hailing and p-hailing workers' earnings and welfare

Building capabilities in high-growth sectors

- Course and skills fees claimable under individual tax reliefs are expanded to cover all fields of study and children's tuition.
- **30,000 new jobs targeted under Bakat MADANI**, with a tax deduction for private companies running Bakat MADANI training.
- **RM8 bn in cross-ministry TVET allocations**, including:
 - RM3 bn through HRD Corp for 3 mn skills training opportunities
 - RM500 mn from Perbadanan Tabung Pembangunan Kemahiran (PTPK)
- **1,000 Bumiputera youth** trained by MARA in high-growth sectors.
- **10,000 youth trained in robotics and digital technology** by Construction Industry Development Board (CIDB) to reduce reliance on foreign labour.

Talent mobility for a competitive workforce

- **Two-year extension for DE Rantau Nomad Pass** holders reaching the two-year limit, and spouses of Category I Employment Pass holders may work in Malaysia.
- Employment Pass applications by listed MyABE companies facilitated **within five working days**.

Considerations for business leaders

PwC's research suggests that Malaysia's transition to a high-value economy will depend on its ability to raise workforce productivity alongside wages. While workers are increasingly AI-enabled and ready to learn, only 20% currently combine high-demand skills with strong AI adoption, highlighting the opportunity to accelerate workforce transformation.

To support this transition, business leaders should consider how to:

1 Reward innovation, adaptability and continuous learning to encourage future-ready behaviours.

2 Empower workers and managers to embrace change and build new skills.

3 Making strategic choices on rewards, learning and workloads.

Key Budget measures

Securing the digital economy

AI and digital resilience

Building trusted digital infrastructure

RM6 bn allocated to intensify cross-ministry research, development and commercialisation activities

RM5 bn investment in the JENDELA project to strengthen connectivity, with 4G for all Orang Asli villages and internet access along 7,000 km of roads and 1,700 km of railway next year

RM1.25 bn fund New Economy Venture Fund by Sime Darby Property, EPF, and LTAT to develop data centres and logistics assets in Elmina, Selangor

- **Sovereign AI Cloud** planned to keep the rakyat's data and the nation's strategic information under Malaysia's control.
- **MyDigital ID** now has more than 14 mn registered users across 203 public and private services.
- **E-commerce Bill** will be tabled to strengthen the accountability of platforms and online sellers.
- Measures support **AI Nation 2030**, which targets a top 10 Global AI Index ranking, +1.2 p.p GDP growth and 300,000 AI-driven jobs by 2030.

Fortifying national cybersecurity

Cybercrime cases rose from **6,209** in 2024 to **7,616** in 2025, with **4,903** recorded in the first half of 2026 alone (MyCERT).

Initiatives to detect scams and cyber threats earlier:

- National Scam Response Centre (NSRC) to develop an **AI application** for the rakyat to check suspicious phone numbers, bank accounts, or links before transacting.
- National Cyber Security Agency (NACSA) and MCMC to develop local **post-quantum data protection** technology and strengthen Cyber Security Cryptology Development Centre (CSCDC) Berhad, with Malaysia now rated Tier 1 for post-quantum readiness.
- Builds on the **Cybercrimes Bill 2026**, passed on 1 July 2026 to replace the Computer Crimes Act 1997.

Building AI talent and adoption

Initiatives to build a safe and ethical AI ecosystem:

- Nearly **RM15 mn** for AI Malaysia Berhad, towards a target of 200,000 AI-skilled workers.
- **RM30 mn** Malaysia Digital Economy Corporation (MDEC) Fund to help 4,000 MSMEs adopt AI and automate operations, and train and certify 5,000 AI professionals.

Initiatives to widen access to AI:

- A further **100,000 free AI subscriptions** for young people, expanded to apps such as ChatGPT; AI subscriptions also qualify for lifestyle tax relief.

Considerations for business leaders

PwC's research projects **US\$287 bn** in data centre capex for Malaysia through 2050. Capturing that value depends on skills and trust: only **4%** of local job postings required AI skills in 2025, and only **42%** of Asia Pacific employees trust AI insights enough to act on them.

To turn AI into value, leaders should consider how to:

1 Redesign work around AI, not just add tools

2 Build trust through AI governance and cyber resilience

3 Build human judgement and creativity alongside AI skills

Key Budget measures

Revitalising healthcare

From cost pressure to value

Reforming how care is paid for

RM47.7 bn allocated to the Ministry of Health (2026: RM46.5 bn), with more than 9,000 contract doctors to be offered permanent posts in 2027

RM1.2 bn allocated to maintain and refurbish all public hospital and clinic infrastructure, plus more than RM770 mn for modern equipment, including robotic surgery and 400 new ambulances

RM200 mn allocated to outsource patients to other hospitals, with the scope widened to public use of private facilities, including operating theatres

- **MediAsas Plan** to launch in January 2027, with hospital charges following the type of diagnosis and treatment; premiums payable through the EPF Sejahtera Account.
- **RM200 per employee** first-year MediAsas premium subsidy for SMEs with fewer than 75 employees, capped at 50 employees per company.
- **Standardised private hospital bills** from 2027, using uniform and transparent charge categories.
- MCMC investing **RM1 bn** in electronic medical records, on the principle of one individual, one record.

Building the care economy

Malaysians are expected to spend **9.5 years** of life in poor health, and non-communicable diseases cost the country at least **RM9.65 bn** a year.

Initiatives to prepare for an ageing nation:

- **Senior Citizens Bill** to be drafted to address neglect and strengthen the care ecosystem.
- Service tax on elderly care cut from **8% to 6%** from 1 January 2027, with a full exemption on care fees of up to **RM96,000** a year.
- More than **RM40 mn** through HRD Corp to train 8,000 elderly care workers, and two integrated care centres of expertise (NICE) in Penang and Sarawak.
- PWD assistance raised to **RM1.5 bn**, benefiting more than 300,000 persons with disabilities.

Supporting medtech and life sciences

- **RM2.1 bn** across the NIMP Fund, KWAP's Dana Pemacu and Khazanah's MTC Fund for mid-tier companies, including in medical devices.
- Manufacturers may reclaim **sales tax** on raw materials for pharmaceutical products bought from local traders.

PwC's Global Health Report 2026 finds that healthspan lags lifespan by 9.6 years globally, making prevention, longevity and care at home growing priorities.

Considerations for business leaders

PwC's research shows why cost transparency matters. Malaysia's medical cost inflation reached about **15%** in 2024, and insurers' cumulative medical claims costs rose **56%** between 2021 and 2023, outpacing premiums. Repricing alone is no longer sustainable.

To prepare for diagnosis-based payment, leaders should consider how to:

1 Invest in interoperable medical records and costing data

2 Shift suitable care to day care and outpatient settings

3 Design benefits around prevention, screening and price visibility

Tax proposal highlights

Resident individual tax rates: lower rates for the middle-income group, reduced income threshold at highest marginal rate

Effective from year
of assessment (YA) 2027

1% reduction for chargeable
income (CI) band of **RM70,001**
to **RM100,000**, from 19% to

18%

A new CI band **RM100,001**
to **RM150,000** with a
1% reduction from 25% to

24%

Revision of CI band
from **RM600,001** to **RM2 mn**
to **RM600,001** to **RM1 mn**,
with the **tax rate remaining at**

28%

The **30%**

top rate now applies to CI band above
RM1 mn, down from above **RM2 mn**



Tax proposal highlights

Individual income tax reliefs – enhancements

Effective from YA 2027

(except for domestic tourism relief which only applies to YA 2027)

Individual income tax relief

for individual and dependent relatives is increased from RM9,000 to

RM12,000

Total tax relief of **RM8,000**

for eligible **care expenses for parents and grandparents** is revised to cover all types of care expenses, not limited to medical care.

Total tax relief of **RM10,000**

for **medical treatment expenses** is reclassified as **Health and Well-being** and the scope of relief is expanded to include postnatal care (limited to RM3,000) and breastfeeding equipment (limited to RM1,000) is merged into this category.

Total tax relief maintained at **RM7,000**

Education fees and skills courses are merged and reclassified as **Education and Skills Training Fees** with a revised scope of relief (with different limits imposed).

Lifestyle relief of up to **RM2,500**

is expanded to cover **subscription expenditures of AI software and applications** and **pet care expenditure**.

Sports-related lifestyle relief of up to **RM1,000**

is expanded to include purchases of sport shoes, capped at RM300.

Domestic tourism relief of **RM1,000**

is extended for another year.



Tax proposal highlights

Measures for Micro, Small, and Medium Enterprises (MSMEs)

■ Corporate income tax (CIT) rate revision

1% reduction for **first CI band of RM150,000** from **15% to 14%** and 1% reduction for CI band of **RM150,001 to RM600,000** from **17% to 16%**, effective from YA 2027.

■ Capital allowance (CA) for Small Value Assets (SVA)

Value of each SVA for claiming CA is increased from RM2,000 to **RM3,000**, effective from YA 2027.

■ Stamp duty reduced to RM10

For selected loan or financing agreements executed from 1 January 2027 to 31 December 2030 (except for CAKNA I Scheme – 1 January 2029 to 31 December 2030):

- Second-tier agreements executed between Mid-Tier Companies and financial institutions for excess credit facility given to MSMEs, subject to meeting conditions
- Peer-to-peer (P2P) loan or financing agreements executed between MSMEs and investors to encourage MSMEs to obtain alternative financing through P2P platforms
- Principal loan or financing agreements under the CAKNA I and II Scheme executed by MSMEs and small contractors that have secured Government contracts

*Stamp duty on principal loan or financing agreements under the CAKNA I Scheme which is reduced to RM10 is currently available for principal loan or financing agreement executed until 31 December 2028, and to be extended for a further two years until 31 December 2030.

Housing and property

■ Extension of **100%** stamp duty exemption



for first residential homes
priced up to RM500,000 for 4 years

For homes priced up to RM750,000, 100% stamp duty exemption is given on the first RM500,000 and 50% exemption on the remaining home price.

This is applicable for loan agreements and instruments of transfer involving sale and purchase agreements executed from 1 January 2027 to 31 December 2030.

■ Reintroduction of **100%** stamp duty exemption **for revival of abandoned housing projects**



Applies to loan agreements and instruments of transfer executed from 1 January 2027 to 31 December 2030 by rescue contractors or developers and original buyers.

Tax proposal highlights

Review of Global Services Hub (GSH) incentive



New company

- **5%** special tax rate on qualifying income.



Existing company

- **15%** special tax rate on qualifying income up to a base level, tax rate can be further reduced to 5% if income exceeds the base level.

Incentive period renewable every

5 years, up to 30 years.

GSH companies undertaking treasury and fund management activities may enjoy additional withholding tax exemption and stamp duty exemption.

Applications to be received by the Malaysian Investment Development Authority (MIDA) from 1 January 2027.

Extension of Accelerated Capital Allowance (ACA)



The ACA of **initial allowance of 20%** and **annual allowance of 40%** currently available for:

1

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

2

Purchase of ICT equipment and computer software package

3

Consultation, licensing, and incidental fees related to the development of customised computer software

will be extended until 31 December 2030.

Tax proposal highlights

Enhancement and extension of Green Investment Tax Allowance (GITA) Project



GITA projects for business purposes

Revised Tier 1 and Tier 2 list of qualifying activities and incentive mechanism, with Tier 3 removed

Tier 1

Green hydrogen and ocean thermal energy conversion

Tier 2

Electric vehicle charging station and renewable energy system

For applications to be received by MIDA from 1 January 2027 until 31 December 2030.



GITA assets for own use

Revised Tier 1 and Tier 2 list of qualifying assets

Tier 1

List of qualifying assets approved by Finance Minister and renewable energy integrated systems

Tier 2

List of qualifying assets approved by Finance Minister and renewable energy system

For purchase of qualifying assets from 1 January 2027 until 31 December 2030.

New Multi-Family Office (MFO) model in Forest City

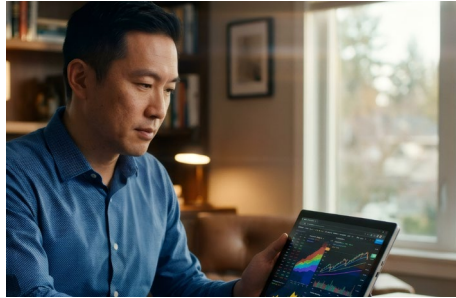
A new MFO model will be introduced in Forest City to complement the existing Single Family Office (SFO) scheme.

Licensed fund managers will be allowed to serve multiple families, including approved SFO funds.

This broadens Malaysia's family office ecosystem and supports the development of Forest City and the Johor-Singapore Special Economic Zone (JS-SEZ) as a regional wealth management platform.



Tax proposal highlights



Enhanced support for workforce development

Tax deduction for Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) loan repayments made by employers on behalf of employees from 1 January 2027 to 31 December 2028.

Tax deduction for companies undertaking Bakat MADANI training programmes from 29 June 2026 to 31 December 2030.

Non-tax deduction of salary payments

Effective from YA 2028, salary expenses will only be tax deductible if paid through financial institutions or prescribed cashless payment instruments, except for salary payments by MSMEs.

Stamp duty on domestic financing

Foreign currency loans or financing agreements from banks in Malaysia executed from 1 January 2027 will be subject to a maximum stamp duty of RM2,000 (for loan or financing up to RM100 mn) and RM5,000 (for loan or financing exceeding RM100 mn), instead of 0.5% ad valorem stamp duty rate.

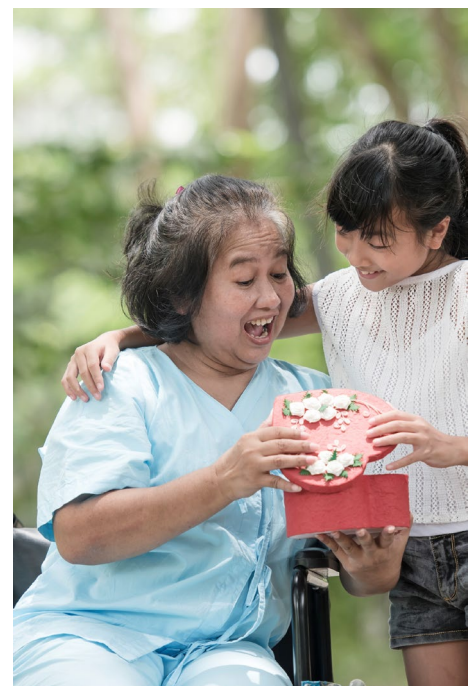
Sales tax refund facility for local traders and distributors

A new sales tax refund facility is introduced from 1 January 2027 for local traders and distributors that have incurred sales tax on qualifying goods supplied to manufacturers to reduce the cost of doing business and strengthen local supply chains.

Lower service tax for elderly care services

From 1 January 2027:

- The service tax rate for elderly care services will be reduced from 8% to 6%.
- Service tax exemption for annual care fees of up to RM96,000 per person.



Register for our Budget 2027 Seminar

Tuesday, 27 October 2026 | Kuala Lumpur Convention Centre

A seminar by PwC's Academy



Scan to register



A seminar by PwC's Academy

Tuesday, 27 October 2026
Kuala Lumpur Convention Centre

Budget 2027 is expected to place the human economy at the centre of Malaysia's next phase of reform — balancing fiscal discipline and competitiveness.

For businesses, this people-centred agenda will sit alongside continuing priorities such as full e-Invoicing implementation, outcome-based investment incentives, the first cycle of Global Minimum Tax submission, and increasing carbon-pricing and sustainability expectations.

Join PwC's specialists and guest panellists for a practical, business-focused seminar on what the Budget 2027 proposals may mean for you and your business.

Register on our webpage



For more information, contact:

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Email: my_events@pwc.com

Registration fee

Seminar-only pass (HRDF claimable)

RM1,200 per participant
(inclusive of service tax)

Bundle pass (HRDF claimable)

Seminar pass + 12-month subscription to PwC's Online Academy (worth RM2,800)

RM2,500 per participant
(inclusive of service tax)

~~RRP: RM4,000~~

Kindly register by

Tuesday, 20 October 2026

10% off registration fee for
group registrations*

*Three or more participants registering under the same company or group of companies. Kindly provide participants' names by emailing my_events@pwc.com. Applicable for both seminar-only pass and bundle pass.

HRD Corp claimable

Companies that contribute to the Human Resources Development Fund are eligible for HRD Corp Claimable Courses (HCC) training grants.

CPE hours/CPD points

Participants will be presented with a Certificate of Attendance at the end of the seminar which can be used to register CPE hours/CPD points.



Let's talk

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