



# Navigating carbon tax:

A quick guide for companies



May 2026

# What companies should know about carbon tax

A **carbon tax** is a fixed charge levied on carbon emissions. It's typically calculated per tonne of greenhouse gases or carbon dioxide equivalent (tCO<sub>2</sub>e) released into the atmosphere. The tax rate is set by the government and often starts at a moderate level, with plans for gradual increases over time to steadily encourage emission reductions and support the transition to a low-carbon economy.



Predefined government-imposed tax rate on GHG emissions or carbon content of fossil fuels



To prepare for Malaysia's upcoming carbon tax, companies must start understanding and measuring their carbon emissions



## Why implement a carbon tax?

Tax has entered the mainstream environmental, social, and governance (ESG) agenda. Governments are increasingly using taxes as a model to drive change beyond just a tool for revenue collection.

Carbon taxes, levies, fees and charges, and green tax incentives are becoming more widespread and complex, forming part of the measures governments are adopting to drive environmental outcomes such as emissions reduction, resource efficiency, and biodiversity protection.

### About Malaysia's proposed carbon tax

- Malaysia's proposed carbon tax will initially target high-emission sectors such as iron, steel, and energy.
- It's aligned with the European Union's Carbon Border Adjustment Mechanism (CBAM), which imposes carbon-related costs on imports. Malaysian exporters may face increased pressure to meet international carbon standards to remain competitive in global markets.
- Companies will need to keep abreast of evolving developments on the carbon tax. It may be extended to other key sectors in the future, especially those already covered by the CBAM (for example, cement, aluminium, fertiliser, electricity, and hydrogen sectors) and other jurisdictions.



## Addressing carbon tax challenges

For organisations in Malaysia, recognising the challenges arising from carbon tax implementation is the first step in mitigating carbon tax exposure.

1



### Challenges in measuring emissions accurately

This is often driven by poor quality or incomplete data from both internal sources (for example, own emissions from facilities, operations) and external sources (supply chain).

2



### Limited visibility of carbon tax exposure

Often, organisations need to estimate carbon tax impact, similar to decision-making involved in a corporate tax provisioning exercise or Return on Investment (ROI) calculations.

3



### Lack of alignment between departments

Organisations need to recognise that managing carbon tax impact is a cross-functional effort involving multiple departments and teams—sustainability, finance, operations, procurement, and strategy. Teams need to be upskilled, and a dedicated lead should be appointed, with clear ownership over carbon tax execution and interpretation.

4



### Challenges in reducing carbon tax impact

Organisations must understand their current GHG emissions and how they are measured. They need to explore ways to reduce their emissions, using a decarbonisation pathway to reduce their tax exposure.



## Preparing ahead

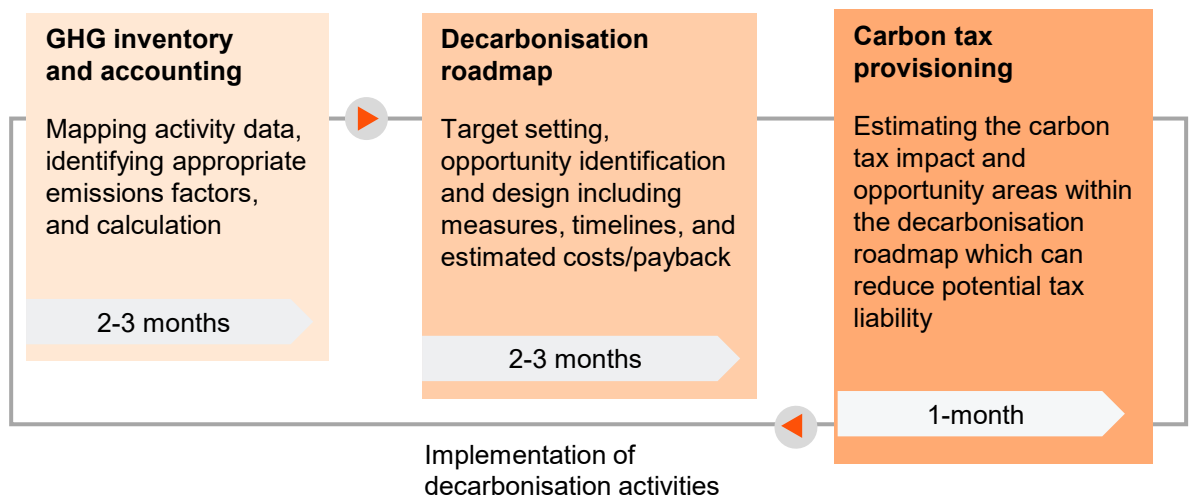
Although initially scheduled to commence in 2026, as of May 2026, the government is reassessing the carbon tax implementation timeline amid rising global energy prices resulting from the US-Iran conflict, to avoid placing additional burden on industries and the public.

The delayed rollout of the carbon tax offers organisations a window to prepare—improving GHG data quality, assessing potential tax impact, and implementing decarbonisation roadmaps to reduce emissions and future tax exposure before it is officially implemented.

### GHG data preparation

Defining organisational and operational boundaries, mapping data and internal responsibilities

1-2 months



As these initiatives take time to implement, companies can start the process now to strengthen readiness and make early progress in their emissions reduction efforts.

# Our offer

Given the complexity of carbon tax and its cross-functional impact, here's how we can support you in managing and mitigating your carbon tax exposure.

## Understanding your carbon tax exposure

## Reducing your carbon tax exposure

### Carbon tax planning/provisioning

High level estimation of carbon tax exposure, enabling preliminary identification of potential exemptions and data gaps

### GHG emissions baseline

Calculating the 'starting point' to inform current exposure to carbon tax

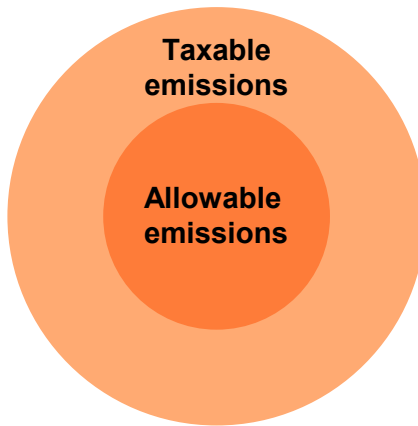
### GHG emissions projection

Estimation of future emissions to inform exposure to carbon tax moving forward

### GHG emissions verification/assurance

Implementation of monitoring, reporting, and verification (MRV) systems to validate the accuracy and reliability of emissions data

### Total Company Emissions



### Decarbonisation strategy and pathways

Provides direction on the organisation's decarbonisation priorities

### Carbon offset

Considerations to purchase carbon credits for hard-to-abate emissions

### Green growth pivot

Developing green products/services

## A structure to help you manage your carbon tax exposure

Internal			External
<b>Internal carbon pricing</b> Applying a 'carbon pricing' lens proactively to internal decision-making processes	<b>ESG risk integration</b> Enhancement of overall climate resiliency	<b>ESG data management</b> Seamless tracking and monitoring of ESG data	<b>Green financing</b> Leveraging the cheaper cost of finance to support the green transition
<b>Sustainability target operating model</b> Blueprint on how sustainability is embedded and delivered across the organisation			
<b>Impact management</b> Internalising external impact into financial value	<b>Accounting impact</b> Understanding the treatment and impact of carbon tax for accounting	<b>Capability building</b> Awareness building and training tailored to various stakeholder groups	<b>Green incentives</b> Assessing the feasibility of decarbonisation pathways from a financing standpoint

# The value

## ESG



We have extensive global and local experience in delivering sustainability-related assignments for both large corporations and government entities. Our experience working on engagements related to carbon markets has equipped us with the expertise to make meaningful recommendations.

We understand that sustainability response is a multi-year journey. Our commitment to supporting you on this journey includes equipping your teams through structured knowledge transfer via targeted upskilling, ensuring a seamless handover for continuity.

We believe sustainability advisory should be grounded in action. Guided by our net zero commitment and roadmap, we actively contribute to shaping the local and regional sustainability landscape.



### Single point of contact

We combine technical expertise across risk, sustainability, and procurement, beyond financing and tax, delivering coordinated advice through a single point of contact.



### Future proofing

We support today's needs while helping you stay ahead of evolving carbon tax and carbon market developments.



### Expertise and knowledge transfer

Our experts bring real world experience in implementing and managing carbon tax. Team support and targeted training will be provided.



### Unlocking broader value beyond compliance

We look beyond carbon tax compliance advisory, covering green financing, decarbonisation studies, and assessment of grants and incentives.



At PwC, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than 364,000 people in 136 countries and 137 territories. Across audit and assurance, tax and legal, deals and consulting, we help clients build, accelerate, and sustain momentum. Find out more at [www.pwc.com](http://www.pwc.com).

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