



Budget 2026 Edition Tax in Motion

Welcome to our Tax in Motion
Budget Edition which brings you
the key tax proposals of Budget
2026 as announced by the Prime
Minister and Finance Minister



10 October 2025

Introducing Tax in Motion

PwC is accelerating into its next chapter—helping clients reach the leading edge of their industries by combining deep expertise with powerful technology-driven and innovative solutions.

This momentum is coming to life through a refreshed global brand—PwC’s first major update in over a decade.

As part of this refresh, we are introducing TaXavvy’s new look and identity as “Tax in Motion”, which reflects our dynamic approach to tax insights: **Always moving, always ahead.**



Highlights

Foreign-sourced income exemption



Extended for 4 more years

Exemption on qualifying foreign-sourced income received in Malaysia is extended until 31 December 2030.

Effective from 1 January 2027

Tax reliefs



Expanded family-centred reliefs

Notably extending the childcare fee relief to registered centres for children up to 12 years and life insurance premiums or takaful contribution for children.

Effective from YA 2026

Tourism incentives



100% exemption on incremental income

Eligible tourism operators are entitled to a 100% income tax exemption on incremental income in support of Visit Malaysia Year 2026.

Effective for YA 2026 and YA 2027

Tax on LLP's profit distributions



From 0% to 2%

Profit distributions to individual LLP partners exceeding RM100,000 will be taxed at 2%.

Effective from YA 2026

AI incentive for MSMEs



Further deduction of 50%

Further deduction of 50% for qualifying expenditure on AI training to be given once in two years, subject to condition.

For applications received from 1 January 2026 to 31 December 2027

New Investment Incentive Framework



First quarter of 2026

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

Effective from first quarter of 2026

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Foreign-sourced income

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Foreign-sourced income



Extension of foreign-sourced income exemption

Subject to conditions, the following foreign-sourced income received by qualifying persons are currently exempted from income tax:

Type of income / gain	Qualifying person	Tax exemption period
Gains from disposal of foreign capital assets	Resident companies, LLPs, trust bodies and co-operative societies	1 January 2024 to 31 December 2026
Dividend income which is received in Malaysia from outside Malaysia	Resident companies, LLPs and individuals (in respect of dividend income received through a partnership business in Malaysia)	1 January 2022 to 31 December 2026
All sources of income under section 4 of the ITA 1967	Resident individuals (excluding a source of income from a partnership business in Malaysia which is received in Malaysia from outside Malaysia)	1 January 2022 until 31 December 2036
All sources of income under section 4 of the ITA 1967	Unit trusts	1 January 2024 to 31 December 2026

To promote repatriation of funds from investments made abroad, the exemption is extended as follow:

Type of income / gain	Qualifying person	Tax exemption period
Gains from disposal of foreign capital assets	Resident companies, LLPs, trust bodies and co-operative societies	1 January 2027 to 31 December 2030
Dividend income which is received in Malaysia from outside Malaysia	Resident companies, LLPs, individuals (in respect of dividend income received through a partnership business in Malaysia), cooperative societies and trust bodies	1 January 2027 to 31 December 2030
All sources of income under section 4 of the ITA 1967	Unit trusts	1 January 2027 to 31 December 2030

(Effective from 1 January 2027)

PwC Comments

The above extension and scope alignment provides policy certainty and confidence especially for investment decisions which factors in a longer-term outlook. Another exemption which is pending an indication of renewal is the specific tax exemption for dividend income from Labuan companies which will expire by the end of YA 2027.

Personal Tax



Personal Tax

Tax on profit distributions received by partners in an LLP

Currently, profit distributions from LLP received by partners are exempt from tax under paragraph 12C of Schedule 6, ITA 1967.

To create a more progressive individual income tax structure and broaden the tax base, it is proposed that income tax shall be imposed on profit distributions from LLP received by partners as follows:

Taxable person
Individual partners: <ul style="list-style-type: none">• Resident individuals• Non-resident individuals
Threshold
Income in the form of profit distributions exceeding RM100,000 per year.
Tax rate
2% is imposed on chargeable income from profit distributions after taking into account allowable relief and deduction (to be calculated based on a prescribed formula).
Effective date
YA 2026



Personal Tax

Personal tax reliefs

Existing	Proposed
Vaccination for self, spouse and child	
<p>Tax relief on vaccination expenses for the following vaccines up to RM1,000:</p> <ul style="list-style-type: none"> • Pneumococcal • Human papillomavirus (HPV) • Influenza • Rotavirus • Varicella • Meningococcal • Tetanus, diphtheria, and acellular pertussis (Tdap) • Coronavirus disease 2019 (COVID-19) 	<p>Types of vaccines be expanded to include all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health.</p> <p>(Effective from YA 2026)</p>
Medical treatment expenses for self, spouse and child	
<p>Tax relief is given for the following categories of medical treatment expenses up to RM10,000:</p> <ol style="list-style-type: none"> Serious illness for self, spouse or child Fertility treatment for self or spouse Vaccination for self, spouse or child, limited to RM1,000 Dental examination and treatment expenses for self, spouse or child, limited to RM1,000 Full medical check up, mental health check up or consultation, COVID-19 detection test inclusive of the purchase of self-test kit, all self-testing medical devices registered with the Medical Device Authority (e.g. glucometer, blood pressure monitor and thermometer), fees for disease detection examination conducted at clinic or hospital (e.g. blood test, ultrasound, mammogram and pap smear) for self, spouse, or child, limited to RM1,000 Assessment and diagnosis, early intervention programme, and rehabilitation treatment for children aged below 18 years with learning disability such as autism, attention deficit hyperactivity disorder (ADHD), global development delay (GDD), intellectual disability, down syndrome, and specific learning disabilities, limited to RM6,000 	<p>The limit for category (vi) is to be increased from RM6,000 to RM10,000.</p> <p>(Effective from YA 2026)</p>

Personal Tax

Personal tax reliefs (cont'd)

Existing	Proposed
Insurance premium or takaful contributions of life, education, and medical insurances	
Individual income tax relief is provided as follows:	The scope of individual income tax relief of up to RM3,000 for life insurance premiums or takaful contributions for self, husband, or wife be expanded to include children.
i. Life insurance premiums or takaful contributions for self, husband, or wife up to RM3,000	The eligibility criteria for insured children for claiming relief on life insurance premiums or takaful contribution, education, and medical insurance premiums shall be determined as follows:
ii. Education and medical insurance premiums for self, husband, wife, or children up to RM4,000	
	i. Aged below 18 and unmarried ii. Aged 18 and above, unmarried and pursuing tertiary education iii. No age limit for unmarried disabled children
	(Effective from YA 2026)
Childcare or kindergarten fees	
Individual income tax relief of up to RM2,000 is given on fees paid for childcare of children up to aged 6 years old at the following eligible childcare premises:	The scope is extended to include daily-care centres or after-school transit centres registered with Department of Social Welfare for children up to 12 years old.
i. Childcare centres (TASKA) registered with the Department of Social Welfare	The additional RM1,000 relief be made permanent (total relief of RM3,000).
ii. Kindergartens (TADIKAs) registered with the Ministry of Education Malaysia	
	(Effective from YA 2026)
A further RM1,000 shall be allowed for the YA 2020 until YA 2027.	

Personal Tax

Personal tax reliefs (cont'd)

Existing	Proposed
Environmental sustainability-related expenses	
<p>Tax relief on environmental sustainability expenses for the following expenses up to RM2,500:</p> <ul style="list-style-type: none"> • Purchase, rental, installation, including hire-purchase of equipment, or subscription fees for EV charging facilities from YA 2022 to YA 2027 • Purchase of household food waste compost machine, eligible for a claim once within a three-year period, from YA 2025 to YA 2027 	<p>Sustainability-related expenses be expanded to include:</p> <ul style="list-style-type: none"> • Household food waste grinders • Closed-circuit television (CCTV) for home use <p>Tax relief is allowed once within a period of 2 YAs.</p> <p>(Effective from YA 2026 to YA 2027)</p>
Entrance fees to tourist attractions and cultural programmes	
<p>Tax relief up to RM1,000 was given in the YA 2020 to YA 2022 for the following expenses:</p> <ul style="list-style-type: none"> i. Accommodation at premises registered with the MOTAC ii. Entrance fees to tourist attractions iii. Purchase of domestic tourism packages through licensed travel agents registered with the MOTAC 	<p>Tax relief be given up to RM1,000 for expenses on entrance fee as follows:</p> <ul style="list-style-type: none"> i. Tourist attractions such as museums, theme parks, national parks, marine parks, zoos, and geoparks ii. Cultural and art programmes <p>(Effective for YA 2026)</p> <div> <p>PwC Comments: Further clarification needed on the following:</p> <ol style="list-style-type: none"> 1. Definition and scope of tourist attractions and cultural and art programmes. 2. Documentation requirement to claim the tax relief. </div>

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Tax Incentives



Tax Incentives

New Investment Incentive Framework

The outcome-based New Investment Incentive Framework announced in Budget 2025, initially scheduled for implementation in the third quarter of 2025, will now be fully implemented for the manufacturing sector starting in the **first quarter of 2026**. This will be followed by the services sector in the **second quarter of 2026**.

Income tax deduction on contributions for Integrity and Anti-Corruption Programmes

In line with the implementation of the National Anti-Corruption Strategy (NACS) 2024 – 2028, it is proposed that -

- a) Anti-corruption education programmes organised by Civil Society Organisations (CSO) be approved as national interest projects under section 44(11C) of the ITA 1967, subject to certain conditions.
- b) Cash contributions to the approved anti-corruption education programmes organised by CSO will be eligible for income tax deduction, restricted to 10% of aggregate income.

(For applications received by MOF from 1 January 2026 to 31 December 2028)

PwC Comments	Further clarification is required on the following:
	a. Criteria and scope of “anti-corruption education programmes”
	b. Approved status period and effective date of tax deduction

GITA asset for own consumption incentive

It is proposed that 100% ITA (for own consumption) to be granted to companies that use green technology products made locally with MyHIJAU Mark.

(Effective date not provided)

Tax Incentives

Existing	Proposed																										
ACA on capital expenditure for plant, machinery and equipment																											
Companies are allowed to claim CA on QCE incurred for business purposes under Schedule 3, ITA 1967 as follows:	ACA shall be given on the following QCE which can be fully claimed by companies within two years:																										
<table><tr><th>Type of assets</th><th>Initial allowance (%)</th><th>Annual allowance (%)</th></tr><tr><td>Motor vehicle, heavy machinery</td><td>20</td><td>20</td></tr><tr><td>Plant and general machinery</td><td>20</td><td>14</td></tr><tr><td>Others</td><td>20</td><td>10</td></tr><tr><td>ICT equipment and computer software</td><td>40</td><td>20</td></tr></table>	Type of assets	Initial allowance (%)	Annual allowance (%)	Motor vehicle, heavy machinery	20	20	Plant and general machinery	20	14	Others	20	10	ICT equipment and computer software	40	20	<table><tr><th>No.</th><th>Qualifying expenditure</th><th>CA rate</th></tr><tr><td>1.</td><td>Procurement of plant, heavy, and general machinery acquired from local manufacturers</td><td rowspan="2">Initial allowance: 20%</td></tr><tr><td>2.</td><td>Purchase of ICT equipment and computer software</td></tr><tr><td>3.</td><td>Consultation, licensing, and incidental fees related to customised computer software development</td><td>Annual allowance: 40%</td></tr></table>	No.	Qualifying expenditure	CA rate	1.	Procurement of plant, heavy, and general machinery acquired from local manufacturers	Initial allowance: 20%	2.	Purchase of ICT equipment and computer software	3.	Consultation, licensing, and incidental fees related to customised computer software development	Annual allowance: 40%
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Plant and general machinery	20	14																									
Others	20	10																									
ICT equipment and computer software	40	20																									
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3.	Consultation, licensing, and incidental fees related to customised computer software development	Annual allowance: 40%																									
	(For QCE incurred from 11 October 2025 to 31 December 2026)																										

PwC Comments	<ul style="list-style-type: none"> • The ACA could help enhance cash flow of businesses. • This measure is also expected to encourage businesses to purchase from local manufacturers, thus further stimulating the domestic economy. However, further clarity may be needed on the definition of “local manufacturers”.
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Tax Incentives

Existing	Proposed
ACA for purchase of Speed Limitation Devices (“SLD”) for heavy vehicles	
<p>The purchase of SLD is eligible for CA with an initial allowance of 20% and an annual allowance of 10%.</p>	<p>It is proposed ACA be given on the expenditure for purchasing SLD up to RM4,000 per unit, subject to the following conditions:</p> <ul style="list-style-type: none"> i. the SLD retrofit installation must be certified by a Verification Body recognised by the Road Transport Department. ii. the installation of SLD applies to heavy vehicles manufactured prior to 1 January 2015 that are not equipped with such devices and is limited to the following categories: <ul style="list-style-type: none"> a. goods vehicles with a Gross Vehicle Weight (“GVW”) exceeding 3,500 kg; and b. passenger vehicles with a GVW exceeding 5,000 kg and designed to carry more than 8 passengers. <p>The ACA is fully claimable within one year, consisting of an initial allowance of 20% and annual allowance of 80%.</p> <p>(This ACA applies to SLD installations carried out from 1 January 2026 to 31 December 2026)</p>

Tax Incentives

Existing	Proposed
Tax incentive for training in AI	
Further tax deduction for expenditure on approved training programmes incurred by qualifying companies in manufacturing and non-manufacturing activities (including hotel and tourism industries) which do not contribute to HRDF.	<p>A further deduction of 50% to be given once in two years for expenditure incurred by MSMEs (including those contributing to HRDF) on AI training recognised by the MyMahir National AI Council for Industry.</p> <p>(For applications received by Talent Corporation Malaysia Berhad from 1 January 2026 to 31 December 2027)</p>
Tax incentive for scholarships	
<p>Double tax deduction be given to companies providing scholarships to students pursuing technical and vocational skills training, as well as higher education at the Diploma, Bachelors, Masters and Doctorate levels with the student's criteria as follows: -</p> <ul style="list-style-type: none"> Malaysian citizen; Pursuing full-time studies; No source of income; and The monthly income of parents or guardians does not exceed RM10,000 	<p>Tax incentive for private companies providing scholarships be reviewed as follows:</p> <ul style="list-style-type: none"> Double tax deduction be given to companies providing scholarships to students pursuing Sijil Teknik Vokasional / Diploma / Bachelor's Degree. The scope of the double tax deduction is expanded to include qualified professional certification courses. The household income requirement for the student's parents / guardians is increased to, not exceeding RM15,000 per month. This incentive is extended for 5 years. <p>(Effective from YA 2026 to YA 2030)</p>

Tax Incentives

Existing	Proposed
Review of tax incentive for venture capital (VC)	
<p>Tax incentives for venture capital are given as follows:</p> <ul style="list-style-type: none"> i. Venture Capital Company (VCC) <ul style="list-style-type: none"> a. Exemption of income tax on SI derived from all sources of income except interest income from savings or fixed deposits and profits from Shariah-compliant deposits. b. The exemption is given for 5 YAs from the date of the first certification by SC for investments made in a VC. VCC is required to invest at least 50% of funds in seed capital, start-up and early-stage financing. VCC and VC must not be related companies at the time the investment is made. <p>VCC must be incorporated under the Companies Act 2016.</p> <ul style="list-style-type: none"> ii. Venture Capital Management Company (VCMC) <p>Exemption of income tax on SI derived from share of profits, management fee, and performance fee including performance bonus and carried interest from YA 2018 to YA 2026.</p> <p>The VCC must be registered with SC no later than 31 December 2023, while the first certification by SC must be obtained no later than 31 December 2026.</p> 	<p>To further encourage investment by VCC, the tax incentives for VC are reviewed as follows:</p> <ul style="list-style-type: none"> i. VCC <ul style="list-style-type: none"> a. A corporate tax rate of 5% is imposed on all income of the VCC, except for interest or profit income derived from savings, fixed deposits, or deposits. The VCC is required to invest a minimum of 20% of its funds in local VC. b. The tax incentive is given for ten years or for the remaining life of the fund starting from the year the VCC obtains its first certification from SC. The first certification by SC must be obtained no later than 31 December 2035. <p>This tax incentive is expanded to LLPs incorporated under the Limited Liability Partnerships Act 2012 and the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which elect to be taxed under ITA 1967.</p> <ul style="list-style-type: none"> ii. VCMC <p>A tax rate of 10% is imposed on income derived from the share of profits, management fees and performance fees from YA 2025 to YA 2035.</p> <div style="border: 1px solid orange; padding: 5px; margin-top: 10px;"> <p>PwC Comments: Further clarification may be required on how the proposals for VCC and VCMC interact with the existing exemptions which are still in effect.</p> </div> <ul style="list-style-type: none"> iii. Individual shareholders of VCC <p>Exemption of income tax on dividends paid, credited or distributed to individual shareholders at the first level from YA 2025 to YA 2035.</p> <p>(Effective from YA 2025)</p>

Tax Incentives

Existing	Proposed
Income tax exemption on sustainable and responsible investment (SRI) sukuk and bond grant scheme	
<p>Issuers of Green SRI Sukuk can apply for Green SRI Sukuk grant from the SC via the Capital Market Development Fund (CMDf). This grant covers 90% of external review expenses incurred in issuing the sukuk, up to RM300,000.</p> <p>Income tax exemption is given on grants received from the SC by Green SRI Sukuk issuers from 1 January 2018 to 31 December 2025.</p> <p>The Green SRI Sukuk Grant has been rebranded as SRI Sukuk and Bond Grant Scheme which covers the issuance of financial instruments approved by SC as follows:</p> <ul style="list-style-type: none"> • SRI Sukuk • SRI-Linked Sukuk • Bonds that conform to the ASEAN Green, Social and Sustainability Bond Standards • Bonds that conform to the ASEAN Sustainability-Linked Bond Standards. 	<ul style="list-style-type: none"> • The grant allocation for external review expenses will increase from 90% to 100%, up to RM300,000. • Eligible financial instruments are expanded to include sukuk and bonds that conform to the ASEAN Taxonomy for Sustainable Finance. • Income tax exemption be extended for three years. <p>(For applications received by SC from 1 January 2026 to 31 December 2028)</p>

Tax Incentives

The following tax incentives are to be extended:

Tax incentive	Period of extension	Effective period
<p>1. Deduction on listing cost</p> <p>Income tax deduction on the qualifying listing costs of up to RM1.5 million incurred for listing in the Bursa Malaysia's Main Market, ACE Market, and LEAP Market by technology-based companies and MSMEs as follows:</p> <ul style="list-style-type: none"> i. Fees to Bursa Malaysia and SC ii. Professional fees iii. Underwriting, placement, and brokerage fees <p>Tax deduction is given from YA 2023 to YA 2025.</p>	<p>5 years</p> <p>Scope of qualified companies expanded to include MSMEs in the energy and utilities sectors</p>	YA 2026 to YA 2030
<p>2. Deduction for investment made in subsidiary companies that undertake commercialisation of non-resource based R&D findings</p> <p>Single tax deduction equivalent to the amount of investment made by a company in its subsidiary companies that undertake commercialisation of non-resource-based R&D findings by a public research institute or public or private institute of higher learning in Malaysia.</p> <p>(For applications received by MIDA not later than 31 December 2025)</p>	5 years	For applications received by MIDA from 1 January 2026 to 31 December 2030

Tax Incentives

Tax deduction on costs of renovation and refurbishment for tourism projects

Capital expenditure in relation to renovation and refurbishment expenses incurred for business premises are not allowable for tax deduction under section 33(1) of the ITA 1967.

To encourage tourism project operators to upgrade and refurbish their business premises to enhance the quality of domestic tourism product in line with Visit Malaysia Year 2026, it is proposed that tax deduction on qualifying expenditure, up to a maximum of RM500,000, be given to tourism project operators registered with MOTAC for renovation and refurbishment works undertaken for business purposes.

(For qualifying expenditure incurred from 11 October 2025 to 31 December 2027)

PwC Comments	Further clarification is required on the following: a) The scope of qualifying expenditure. b) Whether the qualifying expenditure is required to be certified by external auditors.
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Tax Incentives

Existing	Proposed
Tax incentive for tour operators	
<p>Companies operating tourism packages were given 100% tax exemption on SI derived from the following tourism business activities:</p> <ul style="list-style-type: none"> i. Domestic tourism packages participated by at least 200 local tourists annually and ii. No minimum requirement for foreign tourist for inbound tourism package <p>(Expired in YA 2022)</p>	<p>Tour operators be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:</p> <ul style="list-style-type: none"> i. The operator must bring in at least 1,000 foreign tourists annually ii. The incremental income refers to the difference between the qualifying income derived from the business of operating inbound tourism packages to Malaysia during the basis period and the income from the preceding basis period <p>(Effective for YA 2026 and YA 2027)</p>
Tax Incentive for organising international incentive trips, conferences and trade exhibitions	
<p>Companies, associations, or organisations promoting and organising conferences are given tax incentives as follows:</p> <p>Main activity is promoting and organising conferences:</p> <ul style="list-style-type: none"> • 100% income tax exemption on SI, subject to bringing in at least 500 foreign participants annually. • Effective from YA 1997. <p>Main activity is other than promoting and organising conferences:</p> <ul style="list-style-type: none"> • 100% income tax exemption on SI, subject to bringing in at least 500 foreign participants annually. • Effective from YA 2020 to YA 2025. 	<p>100% income tax exemption on SI for organisers verified by MOTAC, subject to bringing in:</p> <ul style="list-style-type: none"> a) at least 1,500 foreign participants for incentive trips annually or b) at least 2,000 foreign participants for conferences annually or c) at least 3,000 foreign participants for trade exhibitions annually <p>(Effective YA 2026 and YA 2027)</p>

Tax Incentives

Tax incentive	Period of extension	Effective period
<p>Organising arts, cultural, sports, and recreational activities</p> <p>50% tax exemption on SI is given to organisers of approved activities as follows:</p> <ul style="list-style-type: none"> i. Arts and cultural activities approved by MOTAC and held at Istana Budaya, National Visual Arts Gallery or Petronas Philharmonic Hall, or ii. Sports or recreational competition of international standard approved by the Ministry of Youth and Sports (KBS) and held in Malaysia (with the participation of foreign nationals) <p>Effective period from YA 2020 to YA 2025</p>	<p>2 years</p> <p>Scope expanded to include:</p> <ul style="list-style-type: none"> i. Tourism activities approved by MOTAC (excluding concert performances) ii. The venue for arts, cultural and tourism activities be broadened to include any location in Malaysia approved by MOTAC iii. International sports and recreational competitions approved by KBS 	<p>YA 2026 and YA 2027</p>

Tax Incentives

Special income tax deduction for modification and conversion of commercial buildings to residential premises

It is proposed that expenses incurred for modification and conversion of commercial buildings to residential premises be given a special tax deduction equivalent to 10% of qualifying expenses, with the tax deduction to be capped at RM10 million.

(Effective date not provided)

PwC Comments	The proposed special tax deduction could stimulate the real estate sector by increasing the availability of residential units while addressing the issue of commercial property oversupply. Businesses that undertake such projects may find added financial incentives, as these expenses would ordinarily be non-deductible (capital in nature). Further clarity is needed on the definition of “qualifying expenses”, whether there are any conditions imposed as to the value of the residential premises if it is subsequently sold to address affordable housing issue and if individuals carrying on business could also enjoy this, among others.
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Tax Incentives

Existing	Proposed														
Tax incentive for food security projects															
<p>Tax incentive for approved food production projects were provided as follows:</p> <table> <tr> <th>Eligible companies</th><th>Tax incentive</th></tr> <tr> <td>Company investing in a subsidiary company undertaking new food production project</td><td>Tax deduction equivalent to the amount of investment made in the same YA</td></tr> <tr> <td>Company undertaking new food production project</td><td>100% Income tax exemption on SI for 10 YAs</td></tr> <tr> <td>Existing company undertaking expansion food production project</td><td>100% Income tax exemption on SI for 5 YAs</td></tr> </table> <p>Effective for applications received by MAFS from 1 January 2023 to 31 December 2025.</p>	Eligible companies	Tax incentive	Company investing in a subsidiary company undertaking new food production project	Tax deduction equivalent to the amount of investment made in the same YA	Company undertaking new food production project	100% Income tax exemption on SI for 10 YAs	Existing company undertaking expansion food production project	100% Income tax exemption on SI for 5 YAs	<p>To ensure national food security remains sustainable through greater participation of industry players in the agriculture sector, tax incentive for food security projects to be provided as follows:</p> <table> <tr> <th>Eligible companies</th><th>Tax incentive</th></tr> <tr> <td>Company undertaking new food production project</td><td>100% Income tax exemption* on SI for 10 YAs</td></tr> <tr> <td>Existing company undertaking expansion food production project</td><td>Income tax exemption* on SI for 5 YAs</td></tr> </table> <p>* The income tax exemption to be given on income generated from domestic sales.</p> <p>(For applications received by MAFS from 1 January 2026 to 31 December 2030)</p>	Eligible companies	Tax incentive	Company undertaking new food production project	100% Income tax exemption* on SI for 10 YAs	Existing company undertaking expansion food production project	Income tax exemption* on SI for 5 YAs
Eligible companies	Tax incentive														
Company investing in a subsidiary company undertaking new food production project	Tax deduction equivalent to the amount of investment made in the same YA														
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Existing company undertaking expansion food production project	Income tax exemption* on SI for 5 YAs														

Tax Incentives

Chicken Rearing in Closed-House System

Previously, it was proposed in Budget 2023 (retabled) that a tax incentive of 100% ACA and 100% income tax exemption are given for QCE in closed-house chicken rearing systems for applications to MAFS from 1 January 2023 to 31 December 2025.

In the same Budget 2023 (retabled), tax incentive on Automation in the Agriculture Sector of a 100% ACA and 100% income tax exemption on the first RM10 million of QCE are provided for cropping, livestock, apiculture, aquaculture, and fisheries activities for applications to MAFS from 1 January 2023 to 31 December 2027.

To ensure the continuity of tax incentive for rearing chicken using the closed-house system, it is proposed that tax incentive on Automation in the Agriculture Sector of 100% ACA and 100% income tax exemption on the first RM10 million of QCE be expanded to include rearing chicken using the closed-house system for the applications to MAFS from 1 January 2026 to 31 December 2027.

Tax exemption for Social Enterprises

All income of an accredited social enterprise is exempted from tax up to three YAs. It is proposed the application period for income tax exemption of social enterprise be extended for another 3 years.

(Effective for applications received by MOF from 1 January 2026 to 31 December 2028)

Tax Incentives

Hospital Welfare and Endowment Funds

The following measures are announced in Budget 2026:

- Private hospitals which establishes hospital welfare funds managed by a company limited by guarantee is eligible for tax exemption on income received by the welfare funds and tax deduction will be given to donors of the fund. A specific effective date is not provided.
- Public university teaching hospitals be allowed to establish endowment funds, provided that the endowment funds are governed and managed solely by the public university teaching hospitals. Cash contributions to the endowment funds are eligible for tax deduction under section 44(11D) of ITA 1967. This measure is effective from YA 2026.

PwC Comments

Further information will be required on how the above proposals relate to or compare with an existing tax exemption for Hospital Welfare Funds which is provided under section 44(6) of the ITA 1967 (refer to [TaXavvy 8-2024](#) for details).



Tax Incentives

Donations / gifts / contributions

It is proposed that cash donation made by individuals and corporate companies to the Trust Account of the Department of Museums Malaysia be eligible for tax deduction equivalent to the contribution amount.

(Effective date not provided)

Income tax deduction eligibility for companies and business-income individuals contributing to Kampung Angkat and Sekolah Angkat MADANI, and Sejahtera MADANI Programs

It is proposed that income tax deductions be given to companies and individuals (with business income) who contribute to the Kampung Angkat MADANI, Sekolah Angkat MADANI, and Sejahtera MADANI.

(Effective date not provided)

PwC Comments	<p>The proposed income tax deduction will incentivise private companies and individuals to contribute to these community programs. With the increased funding and involvement, the initiative is positioned to further improve the rural livelihood, fundamental infrastructure and sustainable economic opportunities.</p> <p>Further clarification is required on the following:</p> <ul style="list-style-type: none">• criteria(s) and type of expenses (e.g. whether cash or pre-approved categories) eligible for income tax deduction• whether the income tax deduction will be single or double tax deduction
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Tax Incentives

Existing	Proposed
Tax Incentive for employing vulnerable persons	
<p>Further tax deduction is given to employers hiring ex-convicts, ex-drug dependents, parolees and supervised persons.</p> <p>The tax deduction was enhanced in Budget 2023 to cover employment costs paid to current and former residents of:</p> <ul style="list-style-type: none"> • Henry Gurney School under the Malaysian Prison Department and • Cure and care rehabilitation centres as well as non-governmental care centres registered under the Department of Social Welfare <p>The further tax deduction is given until YA 2025.</p>	<p>Extended to Prisoners Released on Licence under Prisons Act 1995 as well as drug / substance dependants and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependants and Misusers (Treatment and Rehabilitation) Act 1983.</p> <p>The further tax deduction be given for 5 years.</p> <p>(Effective from YA 2026 to YA 2030)</p>
Tax incentive for employing senior citizens	
<p>Further tax deduction is given to employers hiring senior citizens aged 60 years and above with the following conditions:</p> <ul style="list-style-type: none"> • the employee is employed on a full-time basis; • the employee's monthly remuneration does not exceed RM4,000; • the employer and employee are not the same person; and • the employer is not a relative of the employee. <p>The further tax deduction is given until YA 2025.</p>	<p>Incentive extended to another 5 years.</p> <p>(Effective from YA 2026 to YA 2030)</p>

Tax Incentives

Training for Persons with Disabilities (OKU) and Care Worker

Double tax deduction given on expenses incurred by companies to sponsor training for OKU has been expanded to include sponsorship of care workers to undergo training programmes in institutions recognised by the Ministry of Women, Family and Community Development.

(For YA 2026 to YA 2027)



4

Indirect Tax



Indirect Tax

Removal of tax exemption for luxury cars (value exceeding RM300,000) imported into Langkawi and Labuan

Motor vehicles of any value imported into Langkawi or Labuan are currently exempt from import duty, excise duty and sales tax.

It is now proposed that motor vehicles with a value exceeding RM300,000 will be subject to import duty, excise duty and sales tax when they are imported into these areas.

(Effective date: 1 January 2026)

Introduction of digital tax stamp with heightened security features

Currently, a tax stamp is required to be affixed on imported cigarettes, tobacco products, and intoxicating liquors such as spirits, wine, beer, stout, and similar products intended for retail sale in Malaysia.

It is proposed that a digital tax stamp with enhanced security be introduced at the point of entry (pintu masuk negara) through the Centralised Screening Complex CCTV to curb counterfeiting and address revenue leakage.

(Effective date not provided)

PwC Comments	<p>Digital tax stamps enable governments to strengthen tax administration and compliance by simplifying the verification, tracking, and monitoring of excisable goods.</p> <p>It may result in the introduction of new rules as to the process for acquiring tax stamps and the type of goods that are subject to tax stamps, as their use may not be limited to tobacco and alcohol.</p>
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Indirect Tax

Extension of import duty and sales tax exemption on nicotine replacement therapy products

Currently, nicotine gum and nicotine patches are exempted from import duty and sales tax from 1 April 2023 to 31 March 2026. It is proposed that this exemption be extended to 31 December 2027. Additionally, the scope of exemption is proposed to be expanded to include nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.

PwC Comments	This proposal is part of the Government’s continued efforts in the implementation of the mQuit programme and the Lung Health Initiative as well as in line with Malaysia’s commitment to the WHO Framework Convention on Tobacco Control to provide smoking cessation treatment. The exemptions will be granted on an application basis. Businesses should ensure adherence to any guidelines and conditions of eligibility for these exemptions.
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Excise duty and sales tax exemptions for purchase of new PROTON or PERODUA car by private taxi and rental car owners

The exemption of excise duty and sales tax will continue to apply to the purchase of new national cars (PROTON and PERODUA) by private taxi and rental car owners.

PwC Comments	The continuation of excise duty and sales tax exemptions for PROTON and PERODUA vehicles supports the local automotive industry while providing crucial financial relief for private taxi and rental car owners.
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Indirect Tax

Increase in excise duty rate on tobacco products

It is proposed that the excise duty rate on tobacco products be increased in phases as follows:

Tobacco products	Tariff codes	Excise duty (Prior to 1 November 2025)	Excise duty (Starting from 1 November 2025)
Cigarettes	2402.20.20 00 2402.20.90 00 2402.90.20 00	RM0.40 per stick	RM0.42 per stick
Cigars, cheroots and cigarillos	2402.10.00 00 2402.90.10 00	RM400 per kilogram	RM440 per kilogram
Heated tobacco products	2404.11.00 00	RM778 per kilogram of tobacco content	RM798 per per kilogram of tobacco content

(Effective date: 1 November 2025)

PwC Comments	The proposed increase in excise duty will impact sales tax calculations, even though the sales tax rate remains unchanged at 10% for tobacco products. This is because sales tax is computed on the total value, which includes excise duty. As excise duty rises by RM0.02 per cigarette stick, RM40 per kilogram for cigars, and RM20 per kilogram of tobacco content for heated tobacco products, the taxable base for sales tax will increase. Consequently, sales tax payable will go up despite the rate remaining the same, resulting in higher overall tax costs for importers and manufacturers.
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Increase in excise duty rate for alcoholic beverages

To reduce access to alcoholic beverages and promote a healthier lifestyle, it is proposed that the excise duty rate on alcoholic beverages be increased by 10%.

(Effective date: 1 November 2025)

PwC Comments	The proposed excise duty increase is expected to impact product pricing with a corresponding rise in sales tax costs as sales tax is calculated on the total value inclusive of excise duty.
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5

Stamp Duty



Stamp Duty

Existing	Proposed
Transfer of residential homes	
The instruments of transfer of real property executed by non-citizen individuals (excluding Malaysian permanent resident) and foreign companies is subject to a flat stamp duty rate of 4% under Item 32(aa), First Schedule of SA 1949.	<p>The stamp duty rate on the instruments of transfer of residential homes executed by non-citizen individuals (excluding Malaysian permanent resident) and foreign companies be increased from 4% to 8%.</p> <p>(For instruments of transfer of residential homes executed from 1 January 2026)</p>
Contract notes for buy-side transaction of structured warrants	
Contract notes for the sale and purchase transactions of structured warrants are subject to stamp duty at a rate of 0.1%, with a cap of RM200 per contract note.	<p>Stamp duty exemption on the contract notes for buy-side structured warrant transaction for 3 years.</p> <p>(For buy-side structured warrant transactions executed from 1 January 2026 to 31 December 2028)</p>
Stamping of employment contract	
Employment contracts are subject to a stamp duty of RM10 under Item 4, First Schedule of the SA 1949. However, contracts with a monthly wage not exceeding RM300 are exempted from stamp duty.	<p>The wage threshold for stamp duty exemption is increased to RM3,000.</p> <p>(For employment contracts executed from 1 January 2026)</p>
<p>PwC Comments: The proposed increase in the salary threshold for stamp duty exemption on employment contracts is anticipated to lower the cost of doing business and reduce administrative burden.</p> <p>However, clarity and guidance are needed regarding whether employers are still required to submit a stamp duty return for employment contracts with monthly wages not exceeding RM3,000.</p>	

Stamp Duty

Below is a summary of stamp duty exemptions approaching expiry that were announced to be extended:

List of exemption	Period of extension	Effective period
1. Purchase of first residential home Exemption in respect of instrument of transfer and loan or financing instrument for the purchase of the first residential property of which the value is not more than RM500,000.	2 years	For instrument of transfer and loan agreement in relation to sale and purchase agreement executed from 1 January 2026 to 31 December 2027
2. Insurance or takaful products purchased by MSMEs Exemption in respect of insurance policies or takaful certificates for qualifying insurance or takaful product issued by a licensed insurer or a licensed takaful operator to MSMEs with an annual premium or takaful contribution not exceeding RM250.	3 years	For insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028
3. Insurance and takaful-Perlindungan Tenang products Exemption in respect of insurance policies and takaful certificates for Perlindungan Tenang products issued by a licensed insurer or a licensed takaful operator with an annual premium or takaful contribution not exceeding RM150.	3 years	For Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028
4. Contract notes for Exchange Traded Funds (ETFs) listed on Bursa Malaysia Stamp duty exemption on contract notes for ETFs transactions executed from 1 January 2021 to 31 December 2025.	3 years	For ETFs transactions from 1 January 2026 to 31 December 2028

6

Carbon Tax



Carbon Tax

Implementation of Carbon Tax

As announced previously, carbon tax shall be introduced with an initial focus on the iron, steel and energy sectors in Malaysia by the year 2026. To ensure the effectiveness of the implementation of carbon tax, the mechanism will also be coordinated with the National Carbon Market Policy and the upcoming National Climate Change Bill.

(To be introduced in 2026)



PwC Comments	<p>Aside from the implementation date, details to better help stakeholders to prepare for implementation such as the following matters are pending:</p> <ul style="list-style-type: none">• Is the tax to be paid on total emissions or above a certain threshold or companies of a certain size.• Will the emission covered be limited by categories of greenhouse gas emission, whether it covers Scope 1, Scope 2 or Scope 3 emission.• What would be the rate of tax (e.g. RM/tonne of CO₂e).• Taxable period, e.g. per calendar year or financial year.
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Glossary

Abbreviation / acronym	Description
ACA	Accelerated capital allowance
AI	Artificial intelligence
CA	Capital allowance
EV	Electric vehicle
GITA	Green Investment Tax Allowance
HRDF	Human Resources Development Fund
ICT	Information and communication technology
ITA	Investment Tax Allowance
ITA 1967	Income Tax Act 1967
LLP	Limited Liability Partnership
MAFS	Ministry of Agriculture and Food Security
MIDA	Malaysian Investment Development Authority
MOF	Ministry of Finance
MOTAC	Ministry of Tourism, Arts and Culture
MSMEs	Micro, small and medium enterprises
QCE	Qualifying capital expenditure
R&D	Research and development
SC	Securities Commission
SI	Statutory income
SA 1949	Stamp Act 1949
YA	Year of assessment

PwC Malaysia's Budget 2026 Seminar

	Kuala Lumpur	Penang
Date:	Thursday, 30 October 2025	Tuesday, 11 November 2025
Time:	8:00am to 5:30pm	8:30am to 5:00pm
Venue:	Mandarin Oriental, Kuala Lumpur	Eastern & Oriental Hotel, Penang
Contact:	Aarif Ibrahim / Fazlina Jaafar (03) 2173 1188 / 3830	Ann Yew / Nurnatasya Rahim (04) 238 9291 / 9148
Email:	my_events@pwc.com	siew.lay.yew@pwc.com / nurnatasya.rahim@pwc.com
Online registration:	 pwc.to/US-QR-mgg3eizp	 pwc.to/US-QR-mgj6hnwo

	Johor	Kuching
Date:	Friday, 7 November 2025	Monday, 10 November 2025
Time:	8:00am to 5:30pm	8:00am to 1:00pm
Venue:	DoubleTree by Hilton, Johor Bahru	Auditorium, Borneo Cultures Museum, Kuching
Contact:	Hanisah Azman / Izyan Diyana Zainal (07) 218 6000	Geraldine Tan / Chan Su Feng (082) 527 218
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Online registration:	 pwc.to/US-QR-mgj8coxa	 pwc.to/US-QR-mgj6c1at

Malaysian Tax Booklet

Reclaim your time for strategic planning.

The Malaysian Tax Booklet offers quick answers to your everyday tax questions.

The Malaysian Tax Booklet is a quick reference guide outlining Malaysian tax information based on taxation laws, current practices, and measures proposed by the authorities. The publication also incorporates proposals based on the Budget 2026 announcement on 10 October 2025. It is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining the liability to tax in specific circumstances.

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