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CHARTERED ACCOUNTANTS

Budget 2026 – Malaysia

- Tax Highlights & Implications for Businesses & Individuals
- Prepared by Datin Shivajini Seelan, JS Partners Chartered Accountants

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Fiscal Overview 2026

- Total revenue: RM270 billion (+6.7%)
- Growth drivers: SST expansion, wage growth, e-Invoicing full rollout
- Emphasis on inclusive, digital & sustainable economy

Accelerated Capital Allowance

- 2-year full allowance for locally manufactured plant & machinery
- ICT equipment & software: claim over 2 years
- Encourages local sourcing & business investment

LLP Distributions Tax

- 2% tax on LLP profit distributions exceeding RM100,000 per year
- Effective from YA 2026
- Self-declared by partners, no withholding tax

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Foreign Source Income & CGT Exemptions

- Extension to 31 Dec 2030
- Applies to individuals, companies, LLPs, trust bodies & co-operatives
- Certainty for investment planning and remittance timing

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Corporate Tax Measures

- Listing cost deduction up to RM1.5m extended to YA2030
- Special 10% deduction on commercial-to-residential conversions
- SLD allowance up to RM4,000 per unit (2026 only)
- Tax deduction for Kampung & Sekolah Angkat MADANI contributions

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Social & Non Profit Measures

- 🏥 **Private hospitals** may establish *Welfare Funds* under a **Company Limited by Guarantee (CLBG)** to support underprivileged patients.
- 🎓 **Public university teaching hospitals** can set up *Endowment Funds*;
- 🏛️ **Cash donations** by individuals and companies to the *Malaysian Department of Museums Trust Account are **tax-deductible**.*
- 🕊️ **Anti-corruption education programmes** organised by civil society groups will be approved as *national-interest projects* under **Section 44(11C)** of the Income Tax Act.
- ♻️ **Social enterprises** – application period for *income-tax exemption* **extended until 31 December 2028**.

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Personal Reliefs – Health & Family

- Vaccination: RM1,000 limit expanded (all vaccines)
- Child special needs treatment: RM10,000
- Nursery/Kindergarten: RM3,000 (children ≤12)
- Life insurance relief now includes children

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Personal Reliefs – Sustainability & Lifestyle

- RM2,500 relief for food waste grinders & home CCTV
- RM1,000 relief for local tourist attractions & cultural events (YA2026)
- Once every 2 YAs for sustainability equipment

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Corporate & Sectoral Tax Incentives (YA 2026–2030)

- 👴 Further deduction for hiring senior citizens (≥60 years) extended until YA 2030.
- 🔄 Further deduction for remuneration of prisoners & persons under rehabilitation/treatment (YA 2026–2030).
- 🌿 Green Investment Tax Allowance (Own Use): 100% for MyHIJAU-accredited green products.
- 🧠 AI Training Deduction (MSMEs): 50% deduction, once every 2 years (via TalentCorp, 2026–2027).



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Food, Tourism & R&D Incentives

- Food Security Projects: 100% tax exemption for 10 years (5 years for expansions). Applications to MOA by 31 Dec 2030.
- Automation in Agriculture: Incentive extended to 31 Dec 2027.
- Tourism Operators: Deduction up to RM500,000 for renovation/refurbishment (2025–2027).
- Inbound Tour Packages: 100% tax exemption on incremental income (YA 2026–2027).
- Conferences & Trade Exhibitions: Incentive till YA 2027 (+ foreign participant requirements).
- Arts, Cultural, Sports & Recreational Activities: Incentives extended till YA 2027.
- R&D Commercialisation Deduction extended till 31 Dec 2030 for subsidiaries (MIDA-approved).

Stamp Duty Updates

- Self-assessment effective 1 Jan 2026
- 8% rate on residential transfers by foreigners
- First-home SPA/loan exemption till 2027 (≤RM500k)
- Perlindungan Tenang & microinsurance exemptions till 2028

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Indirect Tax Measures

- **Carbon & Green Measures**
- 🌏 **Carbon Tax** to be implemented in **iron, steel & energy sectors** beginning **2026**.
- **Electric Vehicle (EV) Policies**
- ⚡ **No extension** of *CBU EV* excise duty exemption after **31 Dec 2025**.
- 🚙 *CKD EVs* continue to enjoy **Customs duty exemption until 31 Dec 2027**.
- 🏝️ *Langkawi & Labuan vehicle exemptions* capped at **RM300,000 value** (effective **1 Jan 2026**).
- **Transport & Automotive**
- 🚕 *Taxi owners & e-hailing drivers* continue **100% excise & sales tax exemption** for new **PROTON / PERODUA** vehicles.
- **Excise Duties Adjusted (Effective 1 Nov 2025)**
- 🚬 **Cigarettes:** +2¢ per stick (RM0.40/pack of 20).
- 🍷 **Cigars, cheroots, cigarillos:** +RM40/kg.
- 🧯 **Heated tobacco:** +RM20/kg.
- 🍺 **Alcoholic beverages:** +10%.
- **Healthcare Products**
- 💊 *Nicotine Replacement Therapies* (gum, patch, mist, lozenges) – **duty & SST exemptions extended to 31 Dec 2027**.
- **Digitalisation & Enforcement**
- 🏷️ **Introduction of Digital Stamp** for Customs duties to curb smuggling, fake goods, and revenue leakage.

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Closing Commentary

- Budget 2026 signals Malaysia's continued commitment to digital transformation, inclusivity, and sustainability.

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