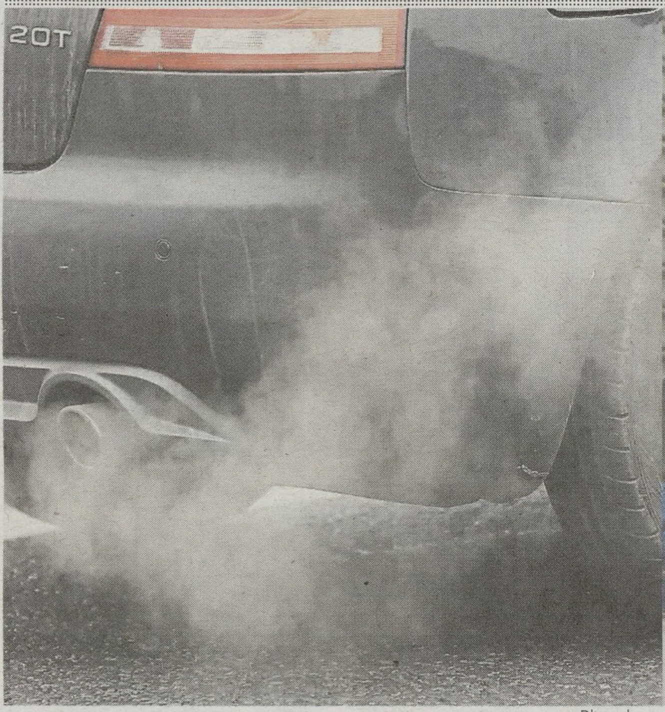

Bloomberg

The impact of Carbon Tax will depend heavily on accurate emissions data and the ability to monitor and enforce compliance

The move to extend double tax deductions to companies that sponsor training for PWDs is a highly commendable initiative

Pics source: Media Mulia

This time, the reintroduction of personal tax relief for domestic tourism applies solely to entrance fees

Targeted tax measures rolled out to boost tourism, digital skills and health funding

The govt's tax measures aim to balance growth, sustainability and social support in line with long-term goals

Budget 2026 MALAYSIA MADANI

by SHAUQI WAHAB

THE government's series of targeted tax measures under Budget 2026 are aimed at stimulating the tourism sector, encouraging digital upskilling, supporting families and strengthening healthcare funding.

In conjunction with Visit Malaysia Year 2026 (VM2026), Prime Minister (PM) cum Finance Minister Datuk Seri Anwar Ibrahim shared that individual taxpayers will enjoy a special tax relief of up to RM1,000 for entrance fees to local tourist attractions and cultural programmes.

This incentive is designed to boost domestic tourism while supporting local operators.

Taxi drivers will continue to benefit from 100% excise duty and sales tax exemptions when purchasing new national cars from Proton Holdings Bhd and Perusahaan Otomobil Kedua Sdn Bhd (Perodua).

Meanwhile, small and medium enterprises (SMEs) will receive an additional 50% tax deduction for artificial intelligence (AI) and cyber security training certified by the MyMahir National AI Council for Industry (NAICI), co-led by TalentCorp and MyDigital.

A key fiscal reform includes the introduction of a carbon tax starting next year, initially targeting the steel and energy sectors.

This will accompany the formulation of the National Climate Change Bill.

"This move not only encourages more sustainable industries but also supports the country's green transition agenda," he said during the Budget 2026 presentation last Friday.

Tax incentives are also expanded to support agriculture automation, including livestock farming under closed-house systems.

Families with young children will benefit from a tax relief of RM3,000 for childcare expenses, extended to cover registered day care and transit centres for children up to 12 years old beginning the 2026 assessment year.

Additionally, Anwar said tax relief for medical expenses for children with autism or attention deficit hyperactivity disorder (ADHD) will be increased from RM6,000 to RM10,000, easing the financial burden on parents.

Meanwhile, excise duties on tobacco and alcohol will rise starting Nov 1, 2025, namely two sen a stick for cigarettes, RM40 per kg for cigars and cigarillos, RM20 per kilogramme for heated tobacco products and a 10% increase in duties on alcoholic beverages.

The additional revenue will be channelled to the Health Ministry (MOH) for lung health initiatives and treatment of diabetes and heart disease.

"Every sen of the additional revenue will be returned to the people through a better healthcare system," he said.

The government is also encouraging philanthropic support for public healthcare by allowing income tax deductions for contributions to endowment funds established by public university teaching hospitals.

For first-time homebuyers, full stamp duty exemption for properties priced up to RM500,000 will be extended to Dec 31, 2027. Additionally, foreign buyers will face higher stamp duty rates of 4%-8%.

A special 10% tax deduction (capped at RM10 million) will also be provided for eligible expenses incurred in converting commercial buildings into residential properties.

Overall, the government's tax measures aim to balance economic stimulation, environmental responsibility and social protection, aligning with Malaysia's long-term fiscal and sustainability goals.

These moves, tax experts said, are strategic as well as predictable.

Beh welcomes incentives for AI and cyber security which will accelerate SME digital transformation

Pics by Muhd Amin Naharul

Veerinderjeet describes the tax-related measures as largely expected and focused on compliance

No New Major Tax

KPMG Malaysia senior advisor on tax policy Veerinderjeet Singh described the tax-related measures in Budget 2026 as largely expected and focused on compliance rather than introducing major new taxes.

According to him, the budget contained no significant or unexpected tax reforms, aside from the introduction of the Carbon Tax, excise duty hikes, the removal of certain exemptions and the extension of existing personal reliefs.

"It is essentially a people's budget in terms of tax improvements and more about tightening compliance initiatives," he said to *The Malaysian Reserve (TMR)*.

Veerinderjeet added that the real story ahead lies in how the government plans to increase the tax-to-GDP ratio in the coming years, which will be crucial for sustaining fiscal growth and funding public services.

The move to extend double tax deductions to companies that sponsor training for persons with disabilities (PWDs), while also covering the training of care workers, is a highly commendable initiative.

Meanwhile, Tratex Sdn Bhd ED Thenesh Kannaa said the revenue is expected to grow by 6.7% although there is no major new tax.

This is because various fiscal measures introduced in phases since 2024 are expected to deliver full impact in 2026.

The reintroduction of personal tax relief for domestic tourism is also viewed as a positive move.

Previously, between 2020 and 2022, the relief covered expenses such as tour packages and accommodation.

However, this time, the exemption applies solely to entrance fees, which may influence taxpayer behaviour differently compared to earlier years, he said.

Carbon Tax

Meanwhile, Wong & Partners tax, trade and wealth management expert Yvonne Beh viewed the 2026 tax proposals as part of a broader, ongoing strategy to expand Malaysia's tax base and enhance compliance, rather than introducing sweeping new taxes.

While Budget 2026 does not feature many headline-grabbing tax changes, she noted that it builds on a series of measures from previous years, including Capital Gains Tax, Dividend Tax and the expansion of taxable services.

The upcoming Carbon Tax, which will be introduced in 2026, stands out as the only new measure this year, though key details are still unknown.

"The tightening of compliance and increase in transparency with the introduction of e-invoicing can help minimise tax leakages and increase tax revenues," she shared with *TMR*.

Beh highlighted that the impact of the Carbon Tax will depend heavily on accurate emissions data and the ability of both businesses and regulators to monitor and enforce compliance.

She acknowledged that successful implementation will require strong verification mechanisms to ensure credibility and revenue effectiveness.

She also welcomed the reintroduction of tourism-related personal tax relief and the new incentives for AI and cyber security training, which she believed will encourage domestic spending and accelerate SME digital transformation.

SMEs, which contribute roughly 38% of Malaysia's GDP, could benefit significantly from lower adoption costs in these high-value areas.

On the government's decision to increase excise duties on tobacco and alcohol, Beh stated that such sin taxes can be effective in both raising revenue and discouraging unhealthy behaviour, particularly when paired with stronger regulations.

"Higher entry costs also help to discourage initiation and encourage quitting," she said.

She added that the stamp duty exemption for first-time homebuyers and higher duties on foreign buyers align with the government's push to promote inclusive homeownership and curb speculative activity in the property market.

Lastly, Malaysian Employers Federation (MEF) president Datuk Dr Syed Hussein Syed Husman said the move to extend double tax deductions to companies that sponsor training for PWDs, while also covering the training of care workers, is a highly commendable initiative.

"MEF views this as a progressive step towards improving workplace inclusivity and ensuring that employers who invest in inclusive training receive appropriate incentives," he said in a statement.