

Mobilising generational family wealth to reinvest in Malaysia

Run-up to



By TAI LAI KOK and ELLIOT CHAW

FAMILY enterprises are the quiet giants of Malaysia's economy; they are symbols of both entrepreneurial success and multi-generational resilience. Yet, without structured planning, their wealth risks fragmentation – through diluted shareholdings, succession disputes, or a lack of strategic structuring.

As Budget 2026 approaches, the government has a unique opportunity to shape policies that strengthen public-private partnerships and family enterprises in intergenerational wealth transfer, encouraging reinvestment, and harnessing private capital for national priorities.

Fragmentation and friction

Family businesses now face a generational crossroads: ageing founders, successors preparing to take the helm, and families exploring ways to consolidate and preserve wealth through trusts,

foundations, or family offices.

However, families are deterred not by a lack of intent to reinvest but by uncertainties within the tax landscape.

From the real property gains tax (RPGT) and capital gains tax (CGT) to stamp duties and regulatory notifications, these tax policies could create friction, especially when assets are transferred to structured vehicles or across generations.

As a result, hurdles may result in delayed planning, fragmented assets, eroding long-term value or, in some cases, relocation of assets offshore.

Either way, without a clear framework, it will be a missed opportunity for both family businesses and the country to harness family wealth as a driver of domestic investment and economic resilience.

What the government can do

We are hopeful for the government to introduce a forward-looking fiscal framework that eases succession with minimal tax friction, while requiring reinvestment of tax savings into national priorities.

The introduction of a succession relief mechanisms by the government could translate the above vision into an actionable framework.

Families transferring assets to the next generation or into a family office, trust,

or foundations and family offices, should be eligible for partial or full exemptions from RPGT, CGT and stamp duty.

Currently, there are already similar reliefs and exemptions for transfer of assets to the next generation but these are often applicable only to direct transfers rather than through trusts or foundations.

By broadening these reliefs and making them conditional upon reinvestment into national priorities such as infrastructure, education, technology, or domestic equity markets, family wealth could remain productive while supporting Malaysia's development agenda.

Dividend tax

As dividend income is now subject to a 2% tax effective this year onwards, this presents an opportunity for the government to consider a reinvestment mechanism where dividends reinvested into qualifying local assets can be used to offset chargeable income, reducing the effective tax burden.

This will encourage families to deploy dividend into the real economy rather than extracting it for passive holdings.

A tiered system could be considered to reward longer-term or higher-impact reinvestments with greater offsets, while requiring deployment of dividend capital

within a set timeframe would ensure timely reinvestment.

Tax credits for family offices

Family offices are uniquely positioned to deploy capital with purpose. By aligning reinvestment incentives with environmental, social, and governance principles and the United Nations Sustainable Development Goals, the government can encourage the investment of private wealth into initiatives for the public good.

Families investing in green technology, affordable housing, healthcare, education, and digital inclusion should be eligible for additional tax incentives.

Such measures will not only generate financial returns but also contribute to national resilience and social equity.

Family businesses can play a catalytic role in upskilling and reskilling the workforce, funding research and development, supporting startups and small businesses, and investing in digital infrastructure and equity markets.

These are areas where government spendings alone may not suffice.

A public-private partnership model, with family offices buy-ins alongside government-linked funds, can unlock transformative outcomes.

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Family wealth can also contribute beyond finance.

Structured philanthropy aligned with national priorities should be encouraged through tax deductions or exemptions.

Families funding scholarships, entrepreneurship incubators, and technical training programmes are not merely giving back, they are building Malaysia's intellectual infrastructure – the minds and skills that will drive tomorrow's economy.

In terms of infrastructure, it is not just highways, public utilities and ports.

Malaysia's future competitiveness depends equally on its people and social capital, technology, and financial ecosystem.

Globally, countries like Singapore, Hong Kong, and the United Arab Emirates have embraced family offices as strategic partners in economic development, offering clear tax frameworks for succession, simplified regulations, and incentives tied to national goals.

Singapore alone hosts over 2,000 single family offices as of last December, while Hong Kong surpassed 2,700 by end-2023.

Malaysia already has the necessary structural platforms such as Labuan and Forest City.

With the right fiscal signals, Malaysia can strengthen its position as a trusted hub for family wealth management.

This coming year presents a pivotal opportunity for a transformation – to design policies that ease intergenerational wealth transfers while encouraging purposeful reinvestment.

Enabling families to plan succession without the financial burden and encouraging purposeful reinvestment would bring benefits to the country.

Furthermore, the government can establish favourable conditions through tax reform, policy clarity, and targeted incentives.

Family businesses, in turn, will be able to strengthen their readiness through succession planning audits, review their asset structures, assess tax exposures and the ways forward.

Malaysia's economy should not rest solely on foreign investment and public spending. It can also be driven by the quiet giants already among us – family businesses ready to reinvest, rebuild, and renew Malaysia's future.

Let us rewrite the narrative and chart a way forward where family wealth is not merely preserved for passive asset holding, but for their legacies to endure while contributing to the nation's long-term prosperity.

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