

SOH LIAN
SENG



Budget 2026: Taking a blueprint to reality

Comment

MALAYSIA'S Budget 2026 is a reformist blueprint that aims to balance inclusive growth with fiscal resilience.

With a total allocation of RM470bil, it reflects a strong commitment to the Malaysia Madani policy framework, focusing on easing the rakyat's burden while accelerating digitalisation, green growth, and institutional reform.

As highlighted by KPMG, Budget 2026 builds upon Malaysia's reform momentum with an emphasis on inclusivity, sustainability, and fiscal resilience.

Its success, however, will depend on how effectively these proposed measures are implemented to create tangible impact for businesses and the rakyat.

What comes next?

With budget day behind us, the business community now awaits the Finance Bill 2026, expected to be tabled for first reading in Parliament soon.

This will be the critical next step in translating policy announcements into enforceable law.

Yet, even before the ink had dried on the budget speech, businesses continued to hold on to their wish lists – hoping for guidance, and swift implementation procedures.

We urge the government to release guidelines and operational details promptly, ideally within this quarter, to allow businesses to plan and operate with confidence as we enter 2026.

Let 2026 begin with certainty

This conveys a sense of urgency around implementation clarity, emphasising the

I believe this budget sends a strong signal of reform. But reforms must be matched with clarity, consistency, and execution.

need for clear direction and alignment among all stakeholders.

Businesses need to know how to comply, how to benefit, and how to plan.

Without timely guidance, even the most well-intentioned reforms risk being underutilised or misunderstood.

Areas where clarity is urgently needed include stamp duty reform, national incentive scheme, and carbon tax.

Stamp duty reform

Budget 2026 proposes a major shift in Malaysia's stamp duty regime – raising the rate from 4% to 8% for non-citizen individuals and foreign companies purchasing residential properties, while maintaining full exemption for first-time Malaysian homebuyers up to RM500,000.

The move reflects the government's push for greater housing affordability and balanced foreign ownership, but also highlights the need for clear, timely guidance to support compliance and enforcement.

Businesses are hoping for:

- > A comprehensive update to the First Schedule of the Stamp Act 1949 reflecting the new rates and scope of chargeable instruments.

- > Clear definitions of "foreign company" and "non-citizen individual", to avoid uncertainty in cases involving joint ownership or nominee structures.

- > Transitional rules for transactions already in progress.

- > Clarification on exemptions for employment contracts and corporate restructuring.

National incentive scheme

The Outcome-Based Incentive Framework, set to be implemented for the manufacturing sector in the first quarter of 2026, followed by the services sector in the second quarter, marks a shift from traditional input-based tax incentives to one that rewards tangible, performance-driven outcomes – from environmental, social and governance (ESG) performance to technology adoption and job creation.

For businesses, the transition raises practical questions such as how performance will be measured, which metrics will qualify, and how will this align with existing incentive approvals or overlapping frameworks like the National Investment Aspirations?

What businesses want to see:

- > Sector-specific key performance indicators and performance metrics.

- > Simplified application and approval processes.

- > Incentives tied to ESG outcomes, job creation, and technology transfer.

- > Alignment with global minimum tax compliance.

Carbon tax

Malaysia will introduce a carbon tax in 2026, targeting high-emission industries such as iron, steel, and energy, representing a significant move in the nation's climate policy that also brings important operational considerations for affected businesses.

With businesses requiring sufficient lead time and clear technical guidance to prepare, we hope the government will provide guidelines on:

- > Clear methodology for emissions measurement.

- > Sectoral benchmarks and thresholds.

- > Reporting obligations and compliance timelines.

- > Integration with the upcoming Climate Change Act and National Carbon Market Policy.

Strategic outlook

Budget 2026 is not just a fiscal plan; it is a strategic blueprint for long-term inclusive growth. It balances immediate relief with structural reform, bridging rural-urban disparities and championing inclusive employment.

For businesses, the message is clear: align with national priorities, green tech, digitalisation, food security, and inclusive employment or risk being left behind.

I believe this budget sends a strong signal of reform. But reforms must be matched with clarity, consistency, and execution. The sooner the Finance Bill and supporting guidelines are released, the sooner businesses can move forward – with confidence and certainty.

Soh Lian Seng is head of tax for KPMG Malaysia. The views expressed here are the writer's own.