Strategic giveaways

MALAYSIA will roll out a New Incentive Framework for businesses from March 1, which is a shift from blanket tax breaks to performance-based incentives.

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NEW INCENTIVE FRAMEWORK

NIF TAX PLANS START IN MARCH

Govt will tie incentives to measurable results

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THE New Incentive Framework (NIF) is significant because it shifts the focus from broad tax giveaways to strategic, performance-based support, experts said.

The framework aims to attract higher-value investments, strengthen technology adoption and future-proof the economy.

The Investment, Trade and Industry Ministry yesterday said it will roll out NIF from March 1, starting with the manufacturing sector, followed by services in the second quarter of the year.

Under the new framework, incentives will be tied to clearly defined and measurable outcomes that support national priorities, bolstering Malaysia's economic resilience.

The government will offer two primary tax incentives: the Special Tax Rate and the Investment Tax Allowance, which are mutually exclusive.

Alongside NIF, the government will no longer accept new incentive applications for the manufacturing sector under the Promotion of Investments Act 1986 (PIA 1986).

"The deadline for the submission of incentive applications under the PIA 1986 for the manufacturing sector is on Feb 28, 2026, at 3pm.

"However, companies that have already been approved and are enjoying incentives under the PIA 1986 will not be affected, and existing approvals will remain valid in accordance with the approved terms and conditions."

Experts said the move towards outcome-based incentives aligning with national priorities is timely, reflecting the intent to modernise Malaysia's investment ecosystem and ensure incentives generate clear economic value.

KPMG Malaysia head of tax Soh Lian Seng told *Business Times* that the approach aligns with developments in countries such as Singapore and Vietnam.

In these countries, incentives are increasingly linked to high-value activities, technology adoption, skills development, and sustainability outcomes.

"Malaysia's move signals an important step towards competing on quality and impact, rather than cost alone," he said.

Soh said the reform represents a significant departure from previous incentive regimes, shifting away from broad, input-based incentives towards a more targeted, performance-driven framework.

He said if implemented well, it could enhance transparency, accountability and policy effectiveness.

"Overall, if executed pragmatically and supported by effective facilitation, the framework has the potential to strengthen Malaysia's competitiveness as an investment destination in the region, particularly for high-value and strategic investments," he added.

Universiti Teknologi Mara Business Management Faculty senior lecturer Dr Mohamad Idham Md Razak said earlier reforms focused on fine-tuning existing schemes whereas the new NIF redefines how incentives are justified and assessed.

"This is significant compared with previous changes because it represents a structural shift in philosophy, not just an adjustment in incentive rates or eligibility criteria.

"It introduces a clearer link between public support and economic returns, which enhances accountability and strengthens the credibility of Malaysia's investment policy framework," Idham said.

He said tying incentives to measurable outcomes such as high-skilled job creation, research and development intensity, local supply chain development and carbon reduction helps guide investors towards activities that generate stronger spillover effects for the domestic economy.

Meanwhile, Soh said the March 1 implementation timeline will be challenging, noting that clear guidance, well-defined and achievable key performance indicators, and administrative consistency are critical to provide certainty for investors and minimise compliance complexity.

Idham said the timeline is ambitious but feasible, provided it is supported by clear guidelines, streamlined application processes and inter-agency coordination.

"In the early stages, a learning curve is expected for investors and regulators.

"However, with well-defined metrics, digital monitoring systems and transparent evaluation mechanisms, the framework can be operationalised effectively.

"A phased and flexible approach, particularly for complex projects, will be important to ensure smooth execution," he said.