



Budget 2026: What's changing, what's next

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Personal Tax

Profit distributions from Limited Liability Partnership ("LLP")

Current

1

Income received by LLP is taxed at the corporate tax rate 15%, 17% and 24%

2

Partners receiving the profit distribution from LLP is exempted from tax (Paragraph 12C, Schedule 6, Income Tax Act 1967)

Proposed

1

2% tax imposed on the chargeable income from profit paid, credit or distributed to individual partners (resident and non resident) in LLP

2

Tax imposed where the profit distribution exceeds RM100,000

Profit distributions from LLP

Where LLP partners receives other types of income

- Formula in determining the chargeable income from LLP partnership distributions :

$$\frac{A}{B} \times C$$

A – Profit distributions received from LLP (deemed as statutory income of the partner)

B – Aggregate income of the partner

C – Chargeable income of the partner

- Effective from YA 2026



Tax reliefs



Childcare relief expansion-RM1,000

- To include daily care centres or after -school transit centres
- Age limit increased from 6 years to 12 years of age.



Medical expenses incurred for self, spouse and child up to RM10,000

a) Broadened vaccination expense –

- Covers all vaccines registered and approved for use by National Pharmaceutical Regulatory Agency, Ministry of Health

b) Assessment and diagnosis, early intervention programme and rehabilitation treatment for children with learning disability

- Increased from RM6,000 to RM10,00
- Child aged 18 years and below



Life insurance premium or takaful contributions – RM3,000

- Expanded to include children , subject to meeting conditions



Expenditure related to environment sustainability and home safety –RM2,500

- Expanded to include household food waste grinders and/or Closed- Circuit Television (“CCTV”) for home use
- Claimable once within 2 years
- Applicable for YA 2026 and YA 2027



Domestic Tourism expenses-RM1,000

- Payment of entrance fee up to RM1,000 for tourist attractions, cultural and art programmes
- YA 2026

Corporate Tax

Corporate Tax

Capital gains tax (“CGT”)

Definition of “disposal”

“Disposal” means

sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes a **reduction of share capital** and **purchase** by a company of its own shares.

Section 65C of the Malaysian Income Tax Act, 1967

Clarification by the MIRB

Capital distribution received by shareholders from liquidation, winding up, or strike-off process constitutes a CGT taxable event.

MIRB has stated in its written responses on 22 October 2024 to CTIM's Feedback/Comments on CGT Treatment

Proposal

Definition of “disposal” in the MITA for CGT purposes to be **expanded** to include: -

- Redemption
- **Conversion**
- Winding up / dissolution
- Other circumstances resulting in the cessation of share ownership.

This expanded definition is proposed to take effect from **1 January 2026**.

Note that the above proposal remains subject to parliamentary debate, passage, and gazettment of the relevant provisions under the Finance Act.

Corporate Tax

CGT – determination of the date of completion of a disposal of capital asset

Current

Where there is no written agreement, a disposal of a capital asset is deemed to take place on the date of completion of the disposal of the capital asset.

The date of completion of the disposal of the capital asset means the earlier of:

- The date on which the ownership of the capital asset disposed of is transferred; or
- The date on which the whole of the amount or value of the consideration has been received.

Proposed

The date of completion of the disposal of the capital asset is refined to mean:

In the case of a winding up or dissolution of a company

The earlier of:

- The date on which the shareholder's (disposer's) rights are extinguished; or
- The date the consideration is received

In the case of capital reduction, share conversion / redemption, or other similar transactions

The earlier of:

- The date on which share ownership ends; or
- The date the consideration is received

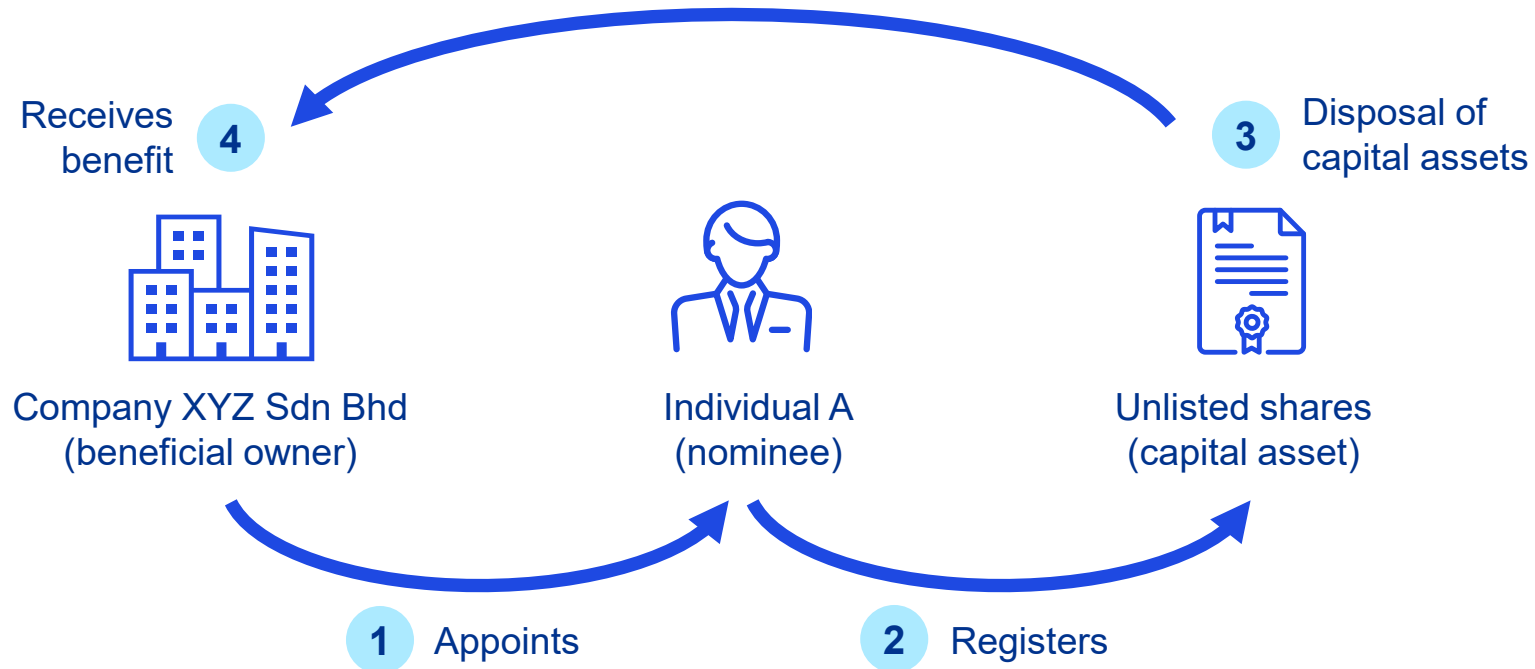
From 1 January 2026

Corporate Tax

CGT – clarifying the tax treatment on disposal by nominees

CGT is imposed on beneficial owner when the nominee disposes of capital assets

- Beneficial owner will be the one who is responsible for filing of CGT return



From 1 January 2026



Corporate Tax

Review of foreign source income (“FSI”) exemption

FSI exemption	Exemption period	Proposal
1 Foreign dividend income received in Malaysia by companies, LLPs, and partnerships	01.01.2022 – 31.12.2026	- Be expanded to co-operatives and trust bodies - Be extended for 4 years (from 01.01.2027 until 31.12.2030)
2 Foreign source income received in Malaysia by individual (excluding partnership businesses)	01.01.2022 – 31.12.2036	N/A
3 Gains from the disposal of foreign capital asset received in Malaysia by companies, LLPs, co-operatives and trust bodies	01.01.2024 – 31.12.2026	Be extended for 4 years (from 01.01.2027 until 31.12.2030)
4 All sources of foreign income received in Malaysia by qualifying unit trusts	01.01.2024 – 31.12.2026	Be extended for 4 years (from 01.01.2027 until 31.12.2030)

Corporate Tax

Accelerated capital allowance (“ACA”) for speed limitation device for heavy vehicles

Initial allowance (“IA”)

20%

Annual allowance (“AA”)

80%

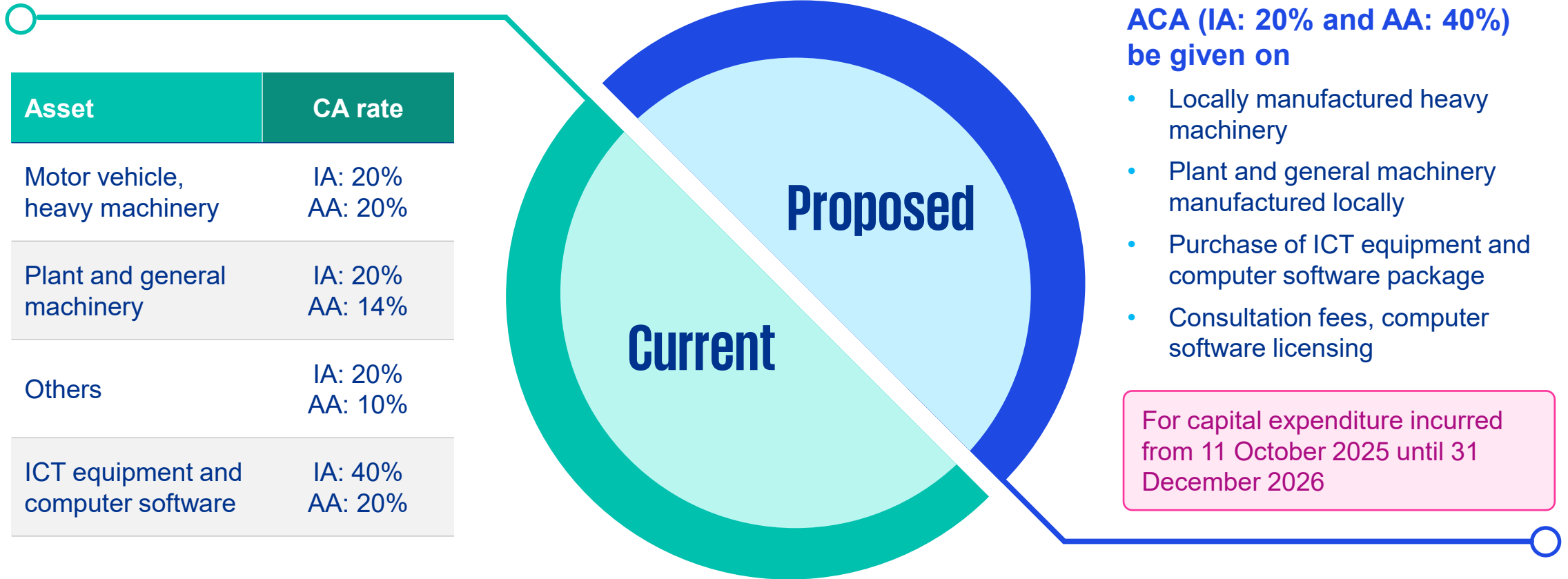
- Up to RM4,000 per unit
- On expenditure for purchase of speed limitation device for retrofit installation on motor vehicles manufactured before 1 January 2015 for the following categories:
 - Goods vehicles with gross vehicle weight > 3,500kg
 - Passenger vehicles with gross vehicle weight > 5,000kg and > 8 passengers
- Verified by Verification Body certified by Road Transport Department
- Not eligible for speed limitation device replacement

For installation carried out from 1 January 2026 until 31 December 2026



Corporate Tax

ACA for qualifying capital expenditure



Corporate Tax

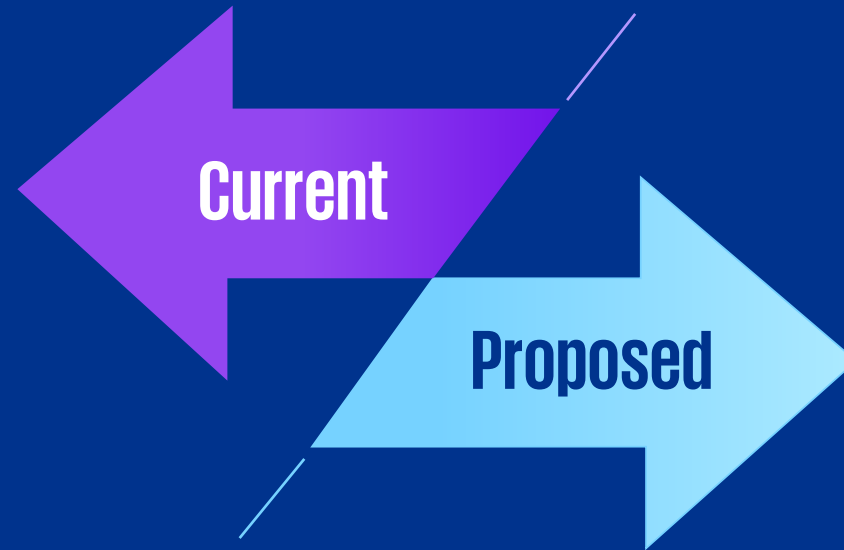
Additional tax deduction on Artificial Intelligence (“AI”) training

Single tax deduction

Is given on expenses incurred for employee training and contributions to HRDF

Further tax deduction

Is given on expenses incurred for approved training programmes in manufacturing and non-manufacturing activities including the hotel and tourism (except companies that contribute to HRDF)



Additional 50% tax deduction

- On expenses incurred for AI training accredited by MyMahir National AI Council for Industry (“NAICI”), including company that contributes to HRDF
- Incurred by the micro, small and medium enterprises (“MSMEs”)
- Deduction allowed once in 2-years

For applications received by Talentcorp from
1 January 2026 until 31 December 2027

Corporate Tax

Double deduction for sponsorship of scholarships to students

Current conditions

- Student who is a Malaysian and resident in Malaysia
- Pursuing full-time course of study:
 - at technical and vocational certificate levels in an institution
 - at diploma, bachelor's degree, master's degree or doctor of philosophy levels in a higher education institution
- Who has no source of income
- Whose parents or guardians have total monthly income not exceeding RM10,000
- Executed scholarship agreement on or after 1 January 2022 but not later than 31 December 2025

Proposed

- Revision of scope of study:
 - Technical and vocational certificate
 - Diploma or bachelor's degree
 - Qualified professional certification courses
- Increase the monthly income of parents or guardians to not exceeding RM15,000
- Extension of incentive period for 5 years

From YA 2026 until YA 2030

Corporate Tax

Miscellaneous

1

Tax deduction for company invests in a subsidiary company which commercializes the findings of non resourced based R&D by public research institutions, public or private higher education institutions

- Extended for 5 years (YA 2026 to YA 2030)

2

Further tax deduction for employer hiring ex-convicts

- Expanded to cover prisoners released on licence and drug / substance dependants and misusers undergoing treatment and rehabilitation
- Extended for 5 years (YA 2026 to YA 2030)

3

Further tax deduction for employers hiring senior citizens aged 60 years old and above

- Extended for 5 years (YA 2026 to YA 2030)

4

Double tax deduction on expenses incurred by companies sponsoring training for persons with disabilities (non-employee) registered with the Ministry of Women, Family and Community Development (“KPWKM”)

- Expanded to include sponsorship of care workers (non-employee) to undergo training programmes in institutions recognised by KPWKM
- For YA 2026 and YA 2027

5

Organisations approved under Section 44(6) may utilised part of income received to carry out sports activities

Tax Incentives

Tax Incentives

Income tax exemption for tour operators

Current

100% income tax exemption on statutory income derived from tour operating business

- Incentive has been first introduced in YA 1998 with several extension of exemption period across the years
- Cover inbound tour and domestic tour
- There is minimum requirement of verified total number of local tourists / inbound tourists in a YA

Proposed

100% income tax exemption on **incremental income** derived from tour operating business

- Inbound tour package
- Provided that the total number of foreign tourists is at least 1,000 pax annually
- Incremental income refers to the difference between the qualifying income derived from the business of operating inbound tourism packages to Malaysia during the basis period and the income from the preceding basis period

For YA 2026 and YA 2027

Tax Incentives

Special tax deduction on renovation expenditure

Current

1

Generally, expenditure incurred for renovation is capital in nature and thus not eligible for tax deduction.

2

Special tax deduction was previously given on qualifying costs of renovation and refurbishment of business premise incurred from 1 March 2020 until 31 December 2022, and used for business purpose, capped at RM300,000 for a YA.

Proposed

1

Upgrade and refurbish tourism business premises

Special tax deduction of **up to RM500,000** on qualifying expenditure incurred from 11 October 2025 until 31 December 2027 by tourism project operators, registered with the Ministry of Tourism, Arts and Culture.

2

Renovation and conversion of commercial buildings into residential premises

Special tax deduction of **10% of qualifying expenditure** incurred, subject to a **maximum limit of RM10 million**.

Tax Incentives

Income tax exemption for promoting and organizing conferences

Current

1

100% income tax exemption on statutory income from organizing conferences held in Malaysia

- Provided that the total number of foreign participants is at least 500 pax in a YA
- From YA 1997: for conference promoter
- From YA 2020 until YA 2025: for entity other than conference promoter

2

100% income tax exemption on statutory income from organizing international trade exhibition held in Malaysia

- Provided that the verified total number of foreign trade visitors is at least 500 pax in a YA
- From YA 2002

Proposed

1

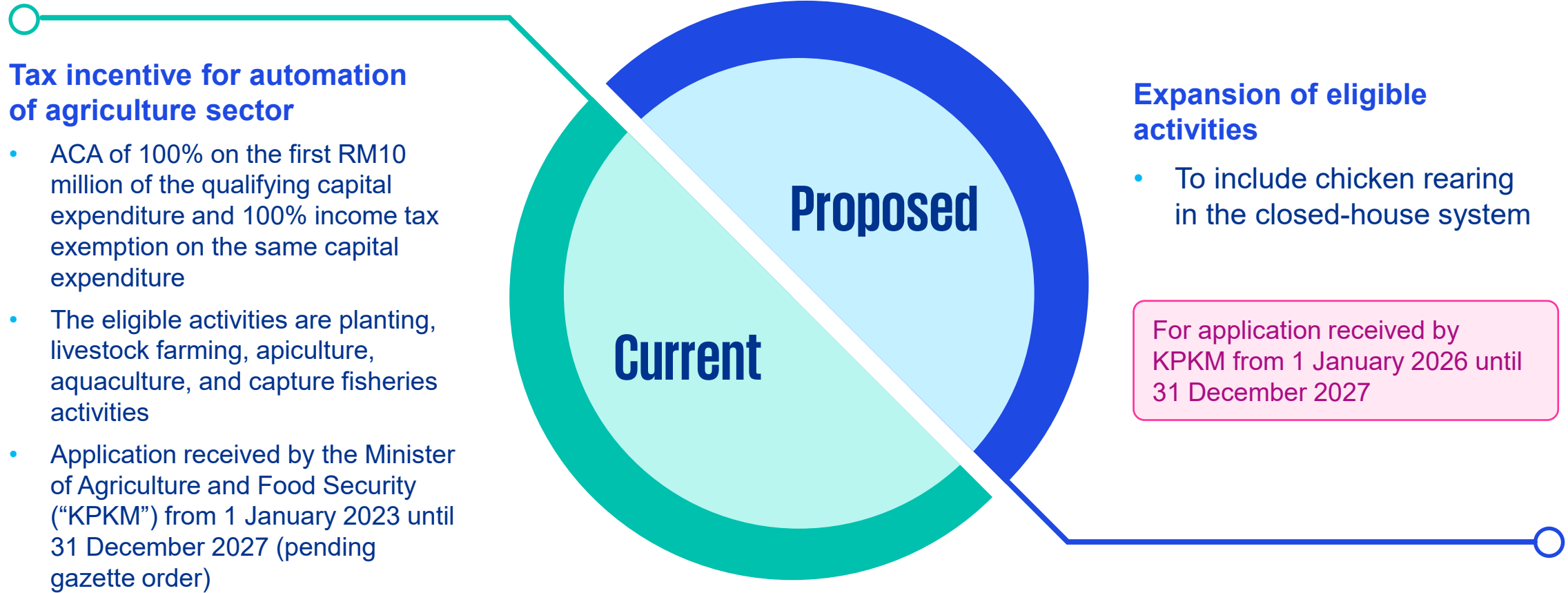
100% income tax exemption on statutory income from organizing incentive events, convention and exhibition at international level

- For organiser verified by Minister of Tourism, Arts and Culture
- Provided that the total number of foreign participants in a YA is at least:
 - Incentive trip: 1500 pax
 - Conference: 2000 pax
 - Trade exhibition: 3000 pax

For YA 2026 and YA 2027

Tax Incentives

Tax incentive for automation of agriculture sector



Tax Incentives

Current

Tax deduction on amount invested limited to RM20 million
Effective: 27 Oct 2017 to 31 Dec 2026

Income tax exemption on all income except interest income for 5 years

Income tax exemption on share of profit, management fees and performance fees from YA 2018 to YA 2026

Tax deduction on amount invested (direct investment to venture company)
Effective: 27 Oct 2017 to 31 Dec 2026

Investors

Venture capital company

Venture capital management company

Venture company

Proposed

Individual investors exempted from dividend tax
from YA 2025 to YA 2035

5% concessional income tax rate on all income except interest income for 10 years

10% concessional income tax rate on share of profit, management fees and performance fees
from YA 2025 to YA 2035

Tax Incentives

Green investment tax allowance (“GITA”) for own consumption

Current

Qualifying assets	Incentive	Incentive period
Tier 1: - List of qualifying assets approved by the MOF - Battery Energy Storage System - Green building	100% GITA offset against 70% of statutory income	Qualifying capital expenditures incurred from 1 Jan 2024 to 31 December 2026 (pending gazette order)
Tier 2: - List of qualifying assets approved by the MOF - Renewable Energy System - Energy efficiency	60% GITA offset against 70% of statutory income	

Proposed

100% of GITA to companies utilizing green technology products **within the local manufacturing supply chain** certified by the MyHIJAU Mark

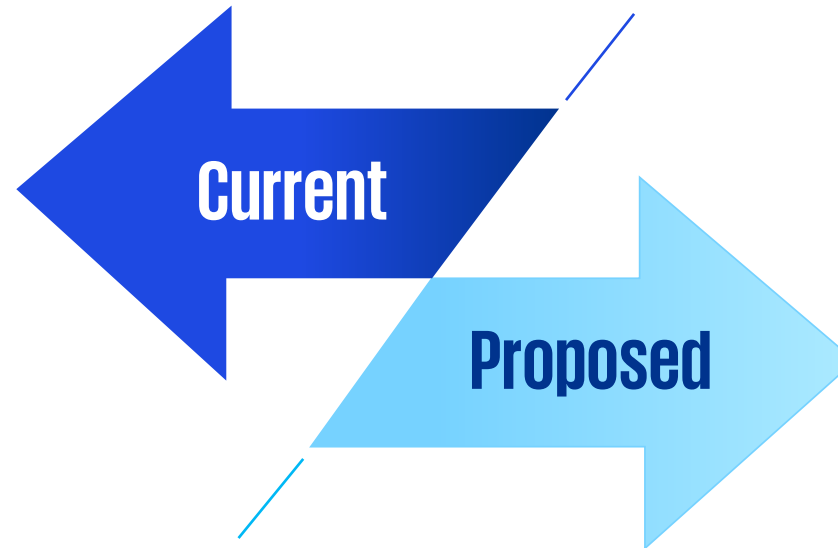


Stamp Duty

Stamp Duty

Stamp duty exemption on employment contract

Wage threshold for stamp duty exemption
on employment contract is
RM300 per month



Wage threshold for stamp duty exemption
on employment contract is
increased to RM3,000 per month

For employment contract
executed from 1 January
2026

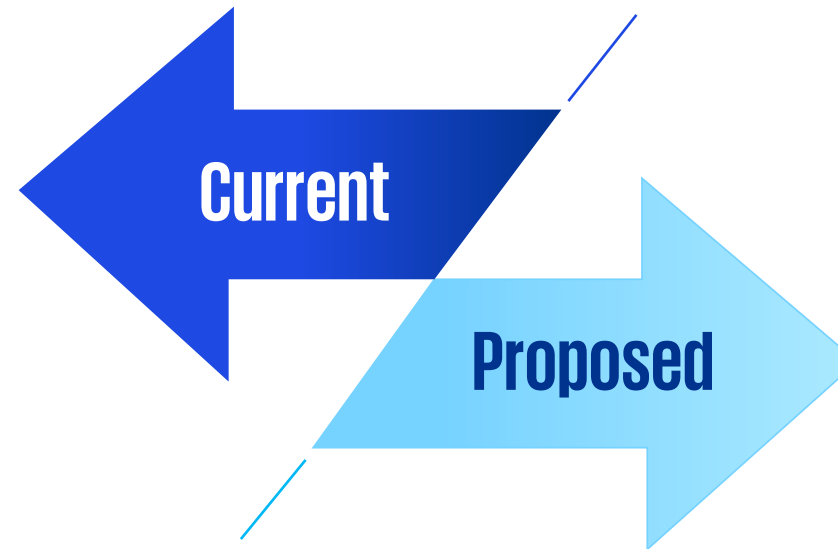
Stamp Duty

Stamp duty on property ownership by non-citizen

4% flat stamp duty rate

On transfer of residential property to:

- a foreign company
- a person who is not a citizen and not a permanent resident



8% flat stamp duty rate

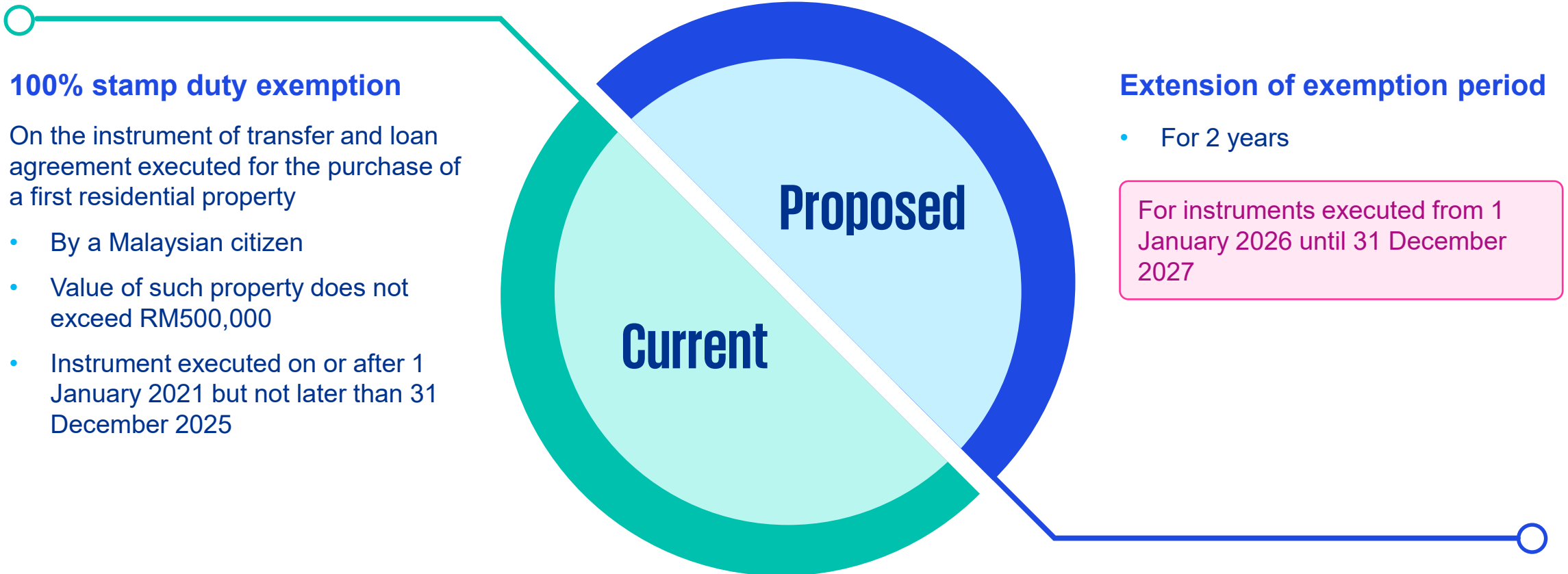
On transfer of residential property to:

- a foreign company
- a person who is not a citizen and not a permanent resident

For instrument of transfer of residential property executed from 1 January 2026

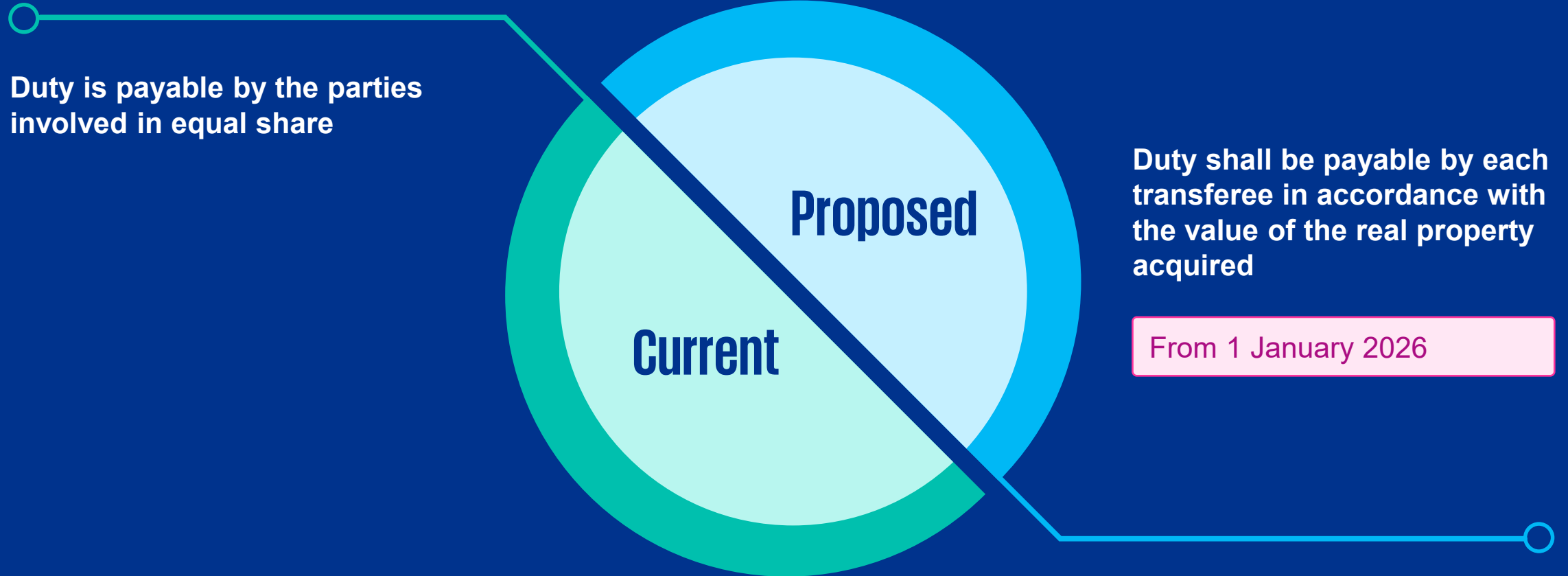
Stamp Duty

Stamp duty exemption for first home ownership



Stamp Duty

Stamp duty on exchange of real properties



Stamp Duty

01

Due date for payment of stamp duty under self-assessment system

Current:

- On the day the assessment is deemed (i.e. return is filed)

Proposed:

- Within 30 days from the date the assessment is deemed

02

Final assessment under self-assessment system

Current:

- No clear provision providing that an assessment raised under the self-assessment system becomes final and conclusive

Proposed:

- Assessment raised under the self-assessment system is treated as final and conclusive

03

Refund for relief of error and mistake declared in the return

Current:

- Not provided

Proposed:

- Allowing refund to be made for overpayment of duty

From 1 January 2026

Stamp Duty

Penalty provisions

Registration of instruments of transfer of debentures or shares (executed abroad) which is not duly stamped

Current:

- Fine not exceeding RM250

Proposed:

- Fine not less than RM1,000 and not exceeding RM10,000

Section 4A(3)

Failure to pay the compound duty collected by authorized persons to the Collector within the prescribed period

Current:

- Penalty of RM200 or 10% of the amount due, whichever is higher

Proposed:

- Penalty of RM500 or 20% of the amount due, whichever is higher

Section 9(3)

Failure to disclose all facts and circumstances in an instrument duly executed with intent to evade duty

Current:

- Fine not exceeding RM2,500

Proposed:

- Fine not less than RM2,500 and not exceeding RM50,000

Section 61

From 1 January 2026

Stamp Duty

Penalty provisions (cont'd)

Failure to execute and transmit contract note

Current:

- Fine not exceeding RM1,500

Proposed:

- Fine not less than RM1,000 and not exceeding RM10,000

Section 64

Offences relating to stamp certificates, such as selling or falsifying stamp certificates etc.

Current:

- Fine not exceeding RM5,000

Proposed:

- Fine not less than RM2,500 and not exceeding RM50,000

Section 72A

Executing and signing any instruments that have not been duly stamped (with intent to evade payment or without lawful excuse)

Current:

- Fine not exceeding RM1,500

Proposed:

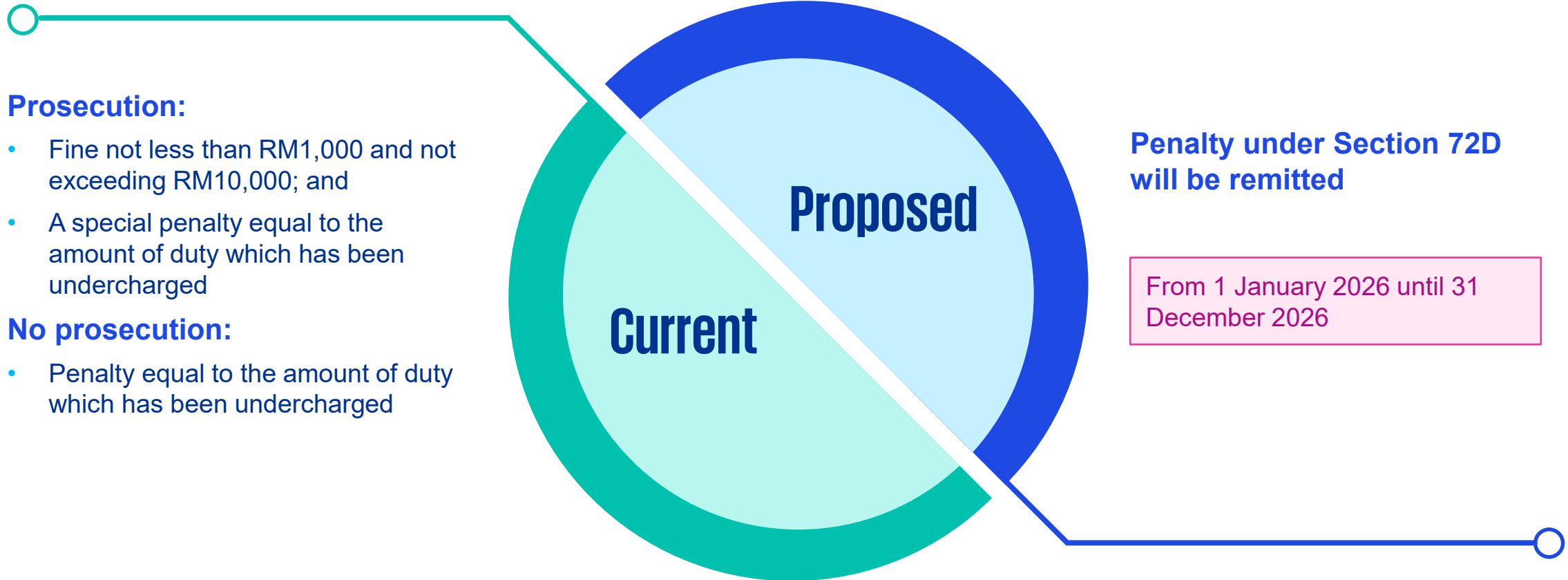
- Fine not less than RM1,000 and not exceeding RM10,000

Section 63(1)

From 1 January 2026

Stamp Duty

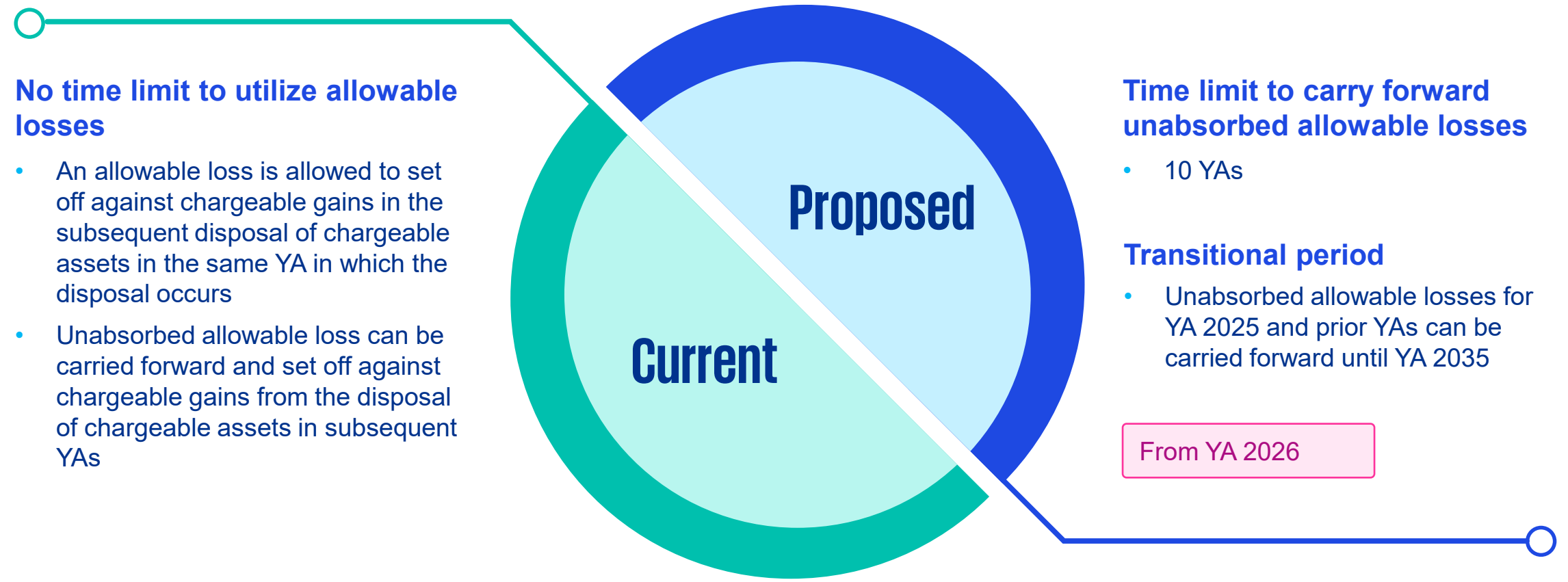
Remission of penalty for incorrect returns or incomplete information under Section 72D of the Stamp Act 1949



Real Property Gains Tax ("RPGT")

RPGT

Treatment of loss for disposal of chargeable assets

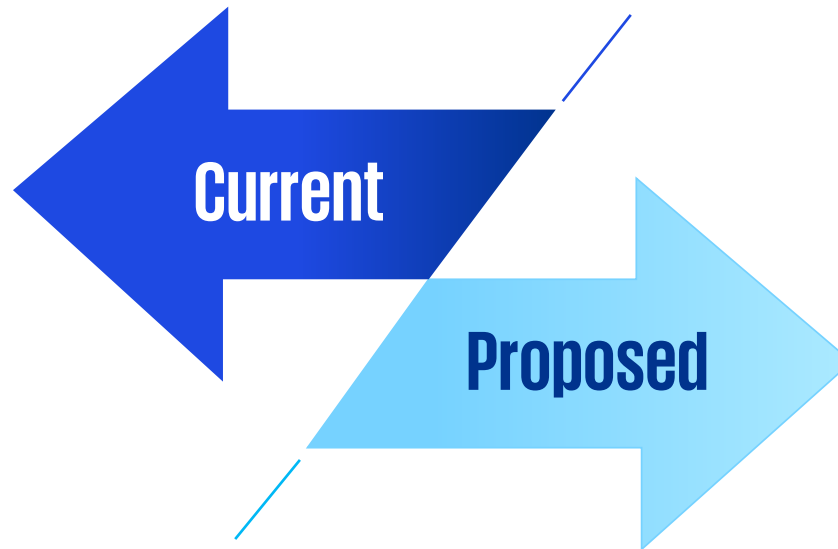


RPGT

Retention sum by the acquirer

Lower of

- The whole of the money; or
- 3% / 5% / 7% (as the case may be) of the total value of the consideration



Lower of

- The whole of the money; or
- 3% / 5% / 7% (as the case may be) of the total value of the consideration
- **Amount of tax deemed assessed**

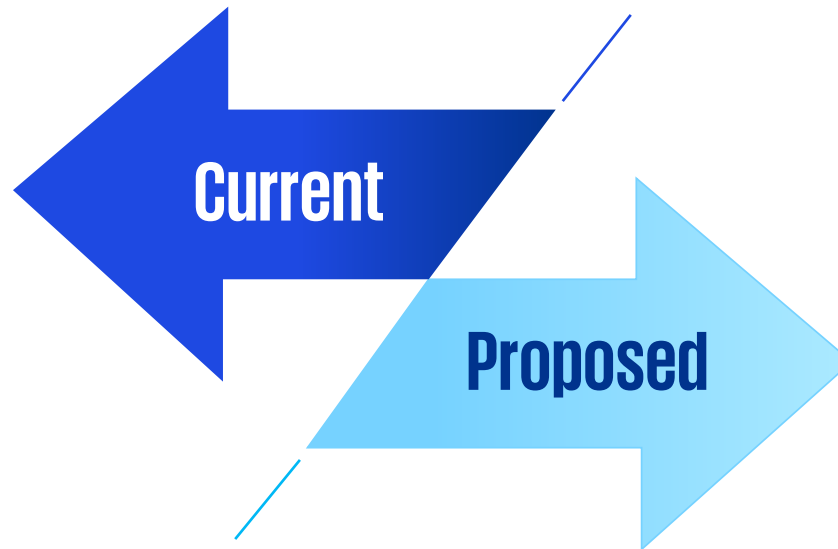
From 1 January 2026

RPGT

Penalty for failure to produce documents upon notice is served

No specific provision to address

The failure to furnish return, document, or information from the date where the notice is served

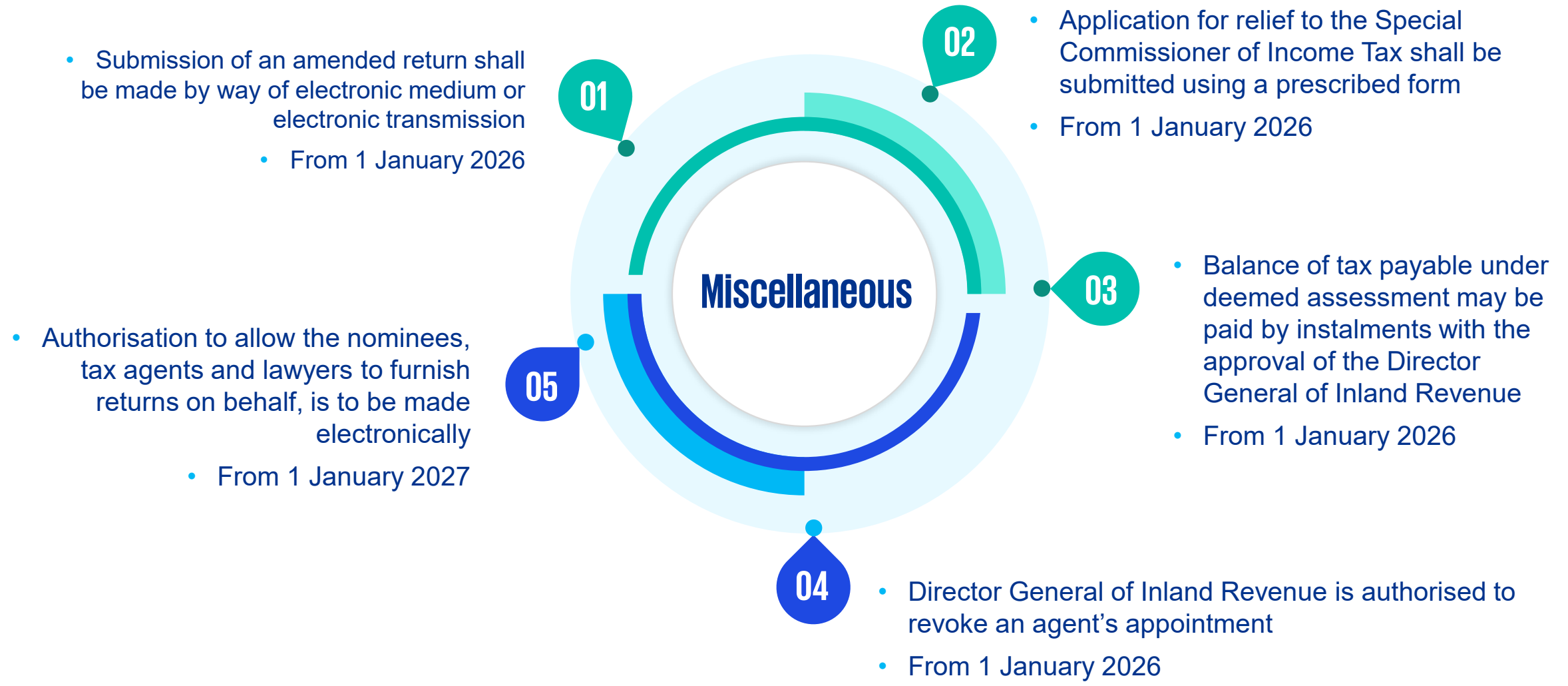


New penalty provision

- Penalty of not less than RM2,000;
- Imprisonment for a term not exceeding 1 year; or
- Both

From 1 January 2026

RPGT



Administrative

Administrative

Mandatory submission of the required information and documents through Malaysian Income Tax Reporting System (MITRS)



Effective YA 2025 (current year basis for Labuan entities)

- A person who has furnished return under **Section 77 or 77A of the Income Tax Act 1967**
 - Remark: implemented in stages, starting with taxpayers filing Form C and Form PT
- A person who furnished a return of profits under **Section 5 or 10 of the Labuan Business Activity Tax Act 1990**
- Submission to be done within 30 days after the filing due date of the tax return / return of profits for a YA



In 2026 Budget

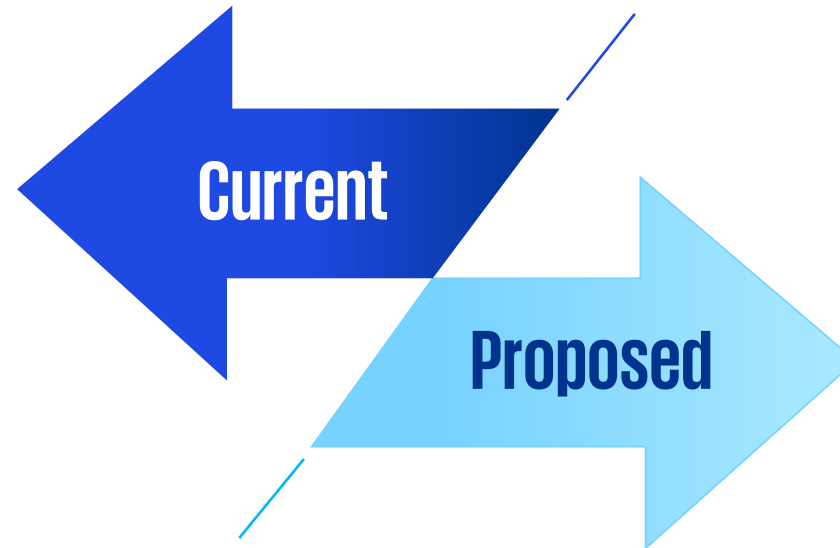
The MITRS submission requirement is proposed to be extended to taxpayer under the category of partnership (who files return under **Section 86 of the Income Tax Act 1967**), effective from YA 2027

Administrative

Appointment of employee in a partnership to furnish prescribed form

The principal partner in a partnership is **not allowed** to appoint employees as representatives to furnish prescribed forms on behalf of the partnership

Remark: currently such authorization is only provided to companies and bodies of persons

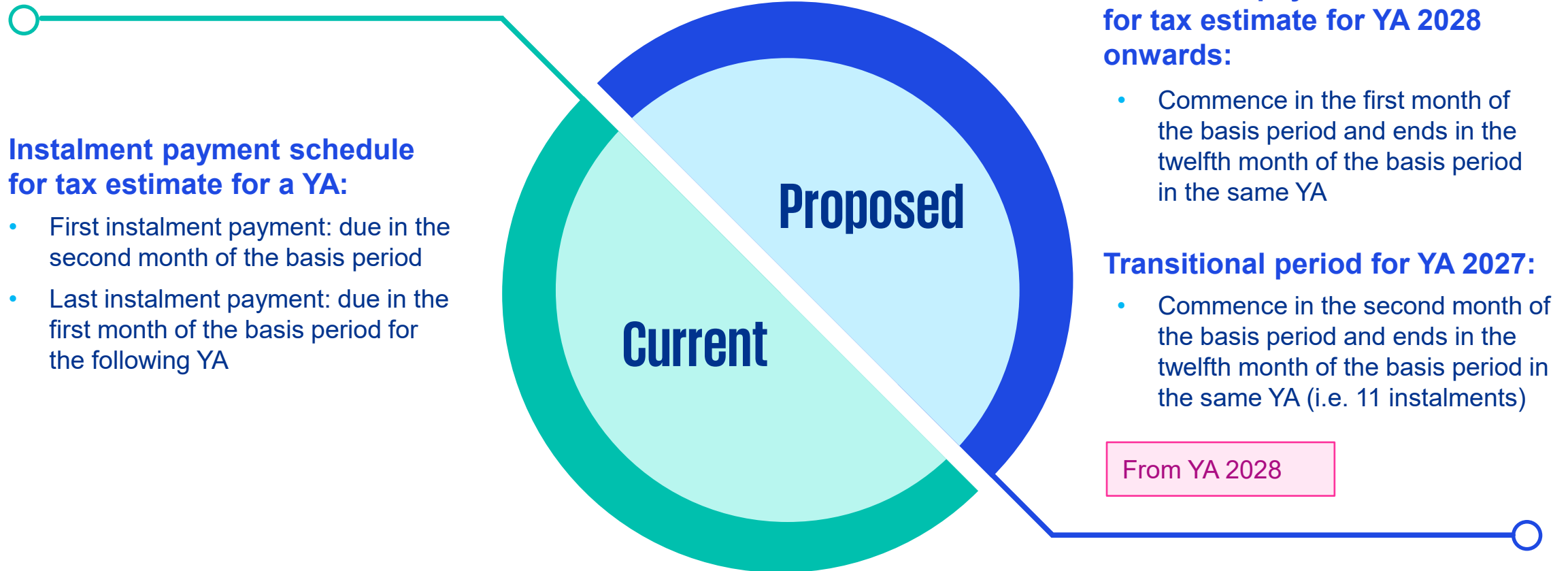


The principal partner **is authorized** to appoint employees to furnish prescribed forms on behalf of the partnership

From 1 January 2026

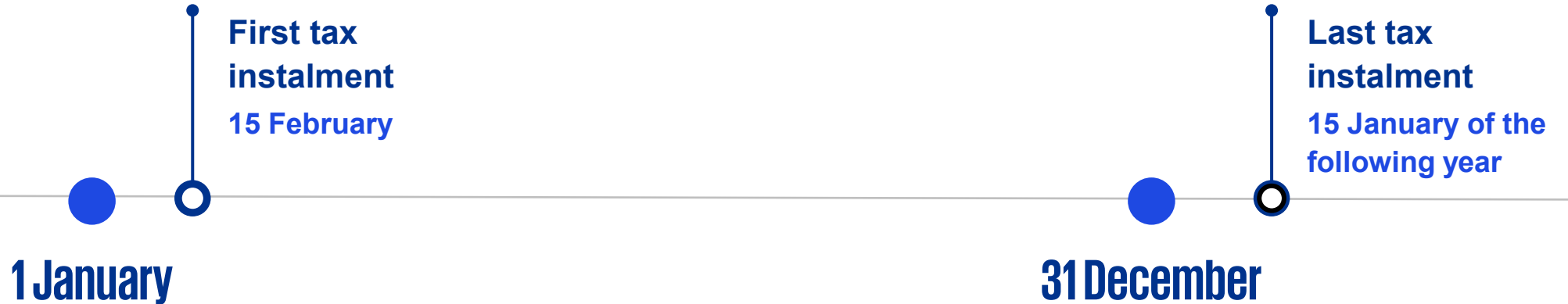
Administrative

Restructuring of instalments for the tax estimate



Restructuring of tax instalment

Current



Proposed

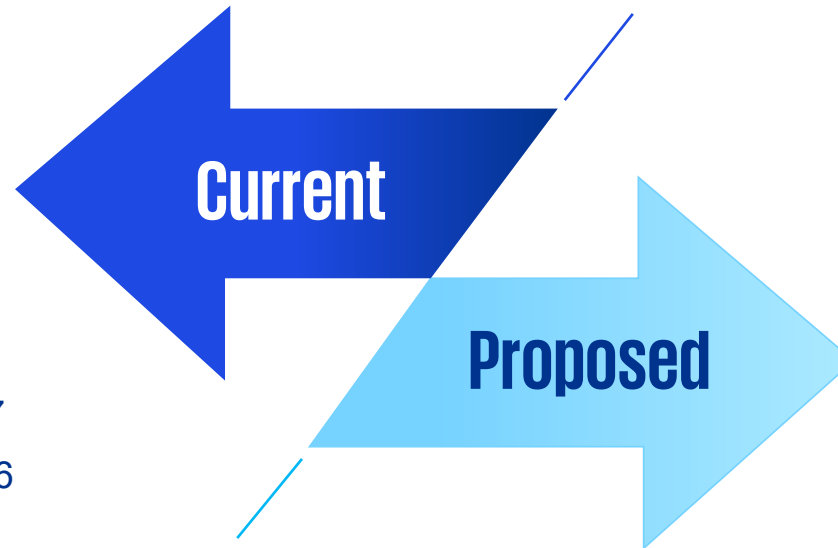
- The first instalment payment will be moved forward to the first month of the tax basis period.
- Instalment payments will end within the same Year of Assessment (“YA”).
- **Transitional provision for YA 2027:** Tax instalment payments for YA 2027 will start in the second month and be completed within the YA (i.e. less one month)
- **Effective YA 2028**

Administrative

Set off of excess payment

Any amount of excess tax payments may be utilised for set off against amount of tax which is due and payable under:

- The Income Tax Act 1967
- The Petroleum (Income Tax) Act 1967
- The Real Property Gains Tax Act 1976

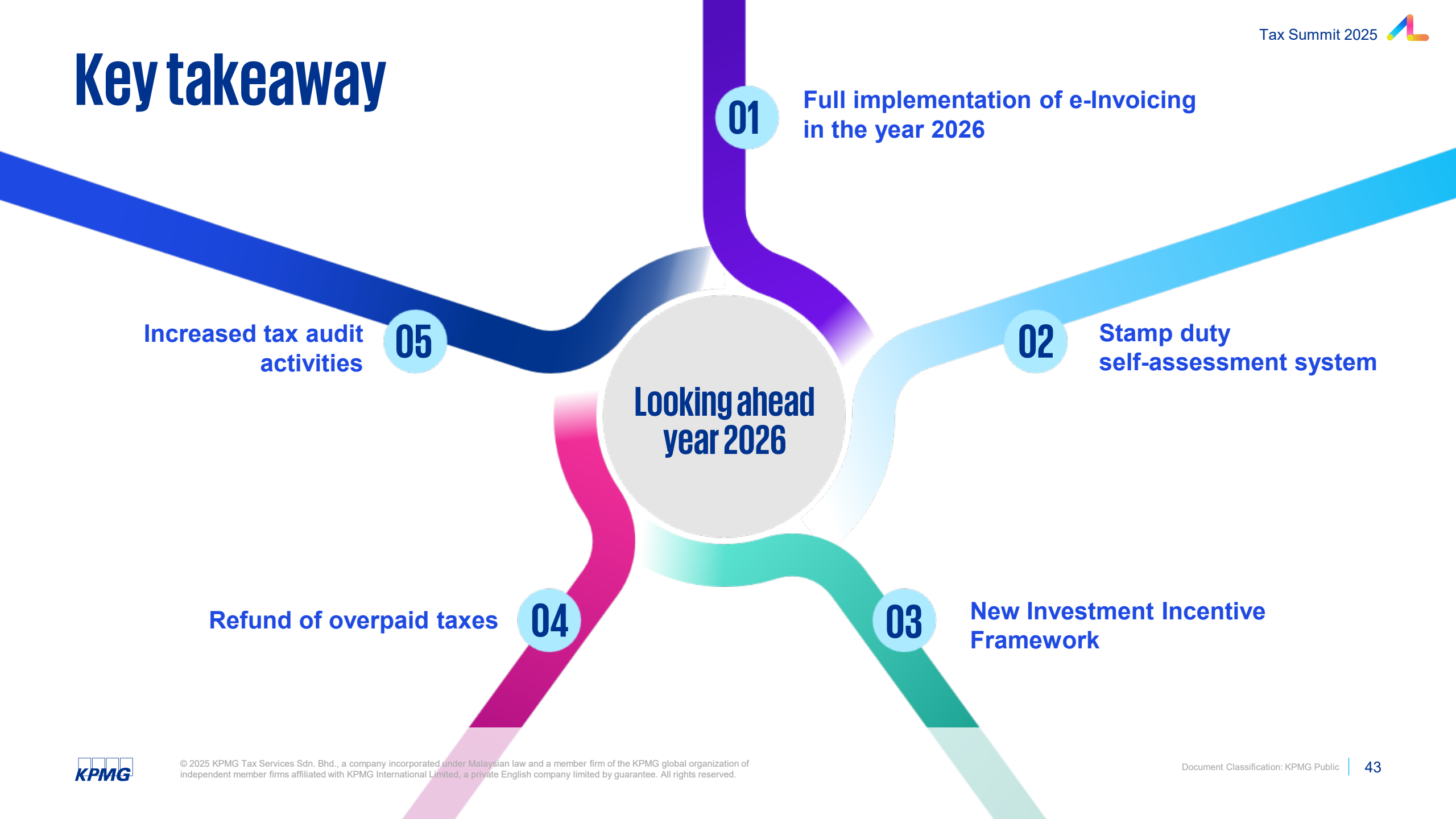


Extension of the scope to:

- The Stamp Act 1949
- The Labuan Business Activity Tax Act 1990

From 1 January 2026

Key takeaway





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