



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

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Capital gains tax

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

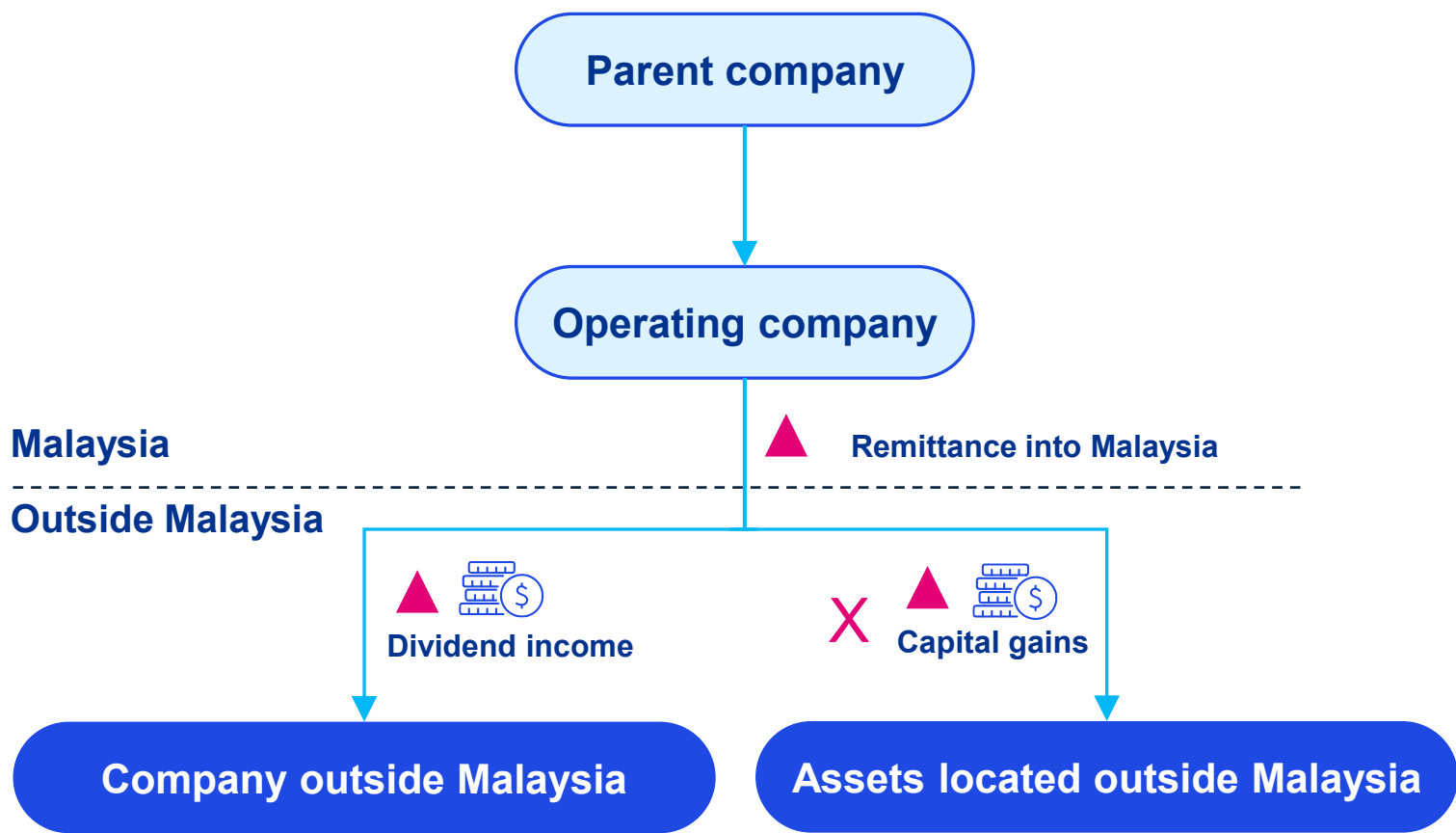
Definition of "disposal" in the MITA for CGT purposes to be **expanded** to include: -

- 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.

Foreign-sourced income and gains



Foreign-sourced dividend income exemption

- Dividend income subjected to tax and headline tax rules of not less than 15%; or
- Economic substance requirement

Foreign-sourced capital gains exemption

- Economic substance requirement

Foreign-sourced income and gains

Expiring on

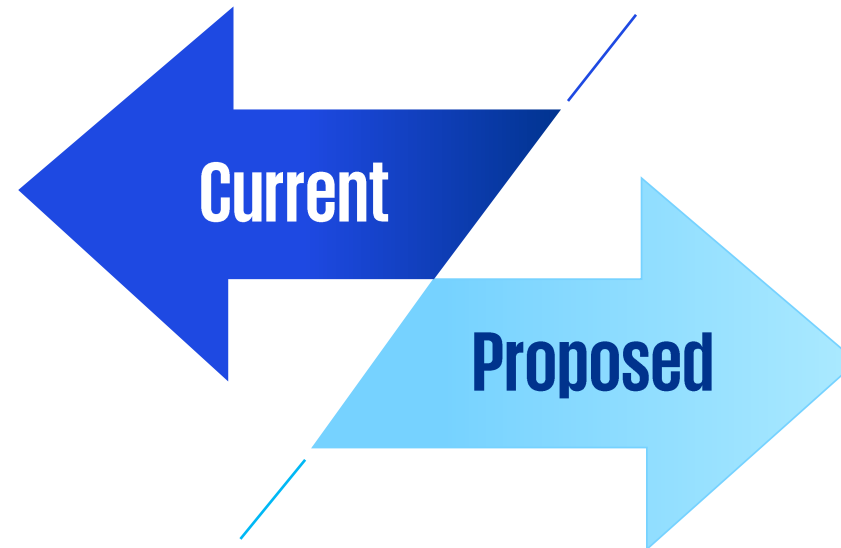
31 December 2026

Foreign-sourced dividend income

Received by Malaysian resident companies and limited liability partnerships (“LLPs”), cooperative societies and trust bodies

Foreign-sourced capital gains

Disposal of capital assets by Malaysian resident companies, LLPs, cooperative societies and trust bodies



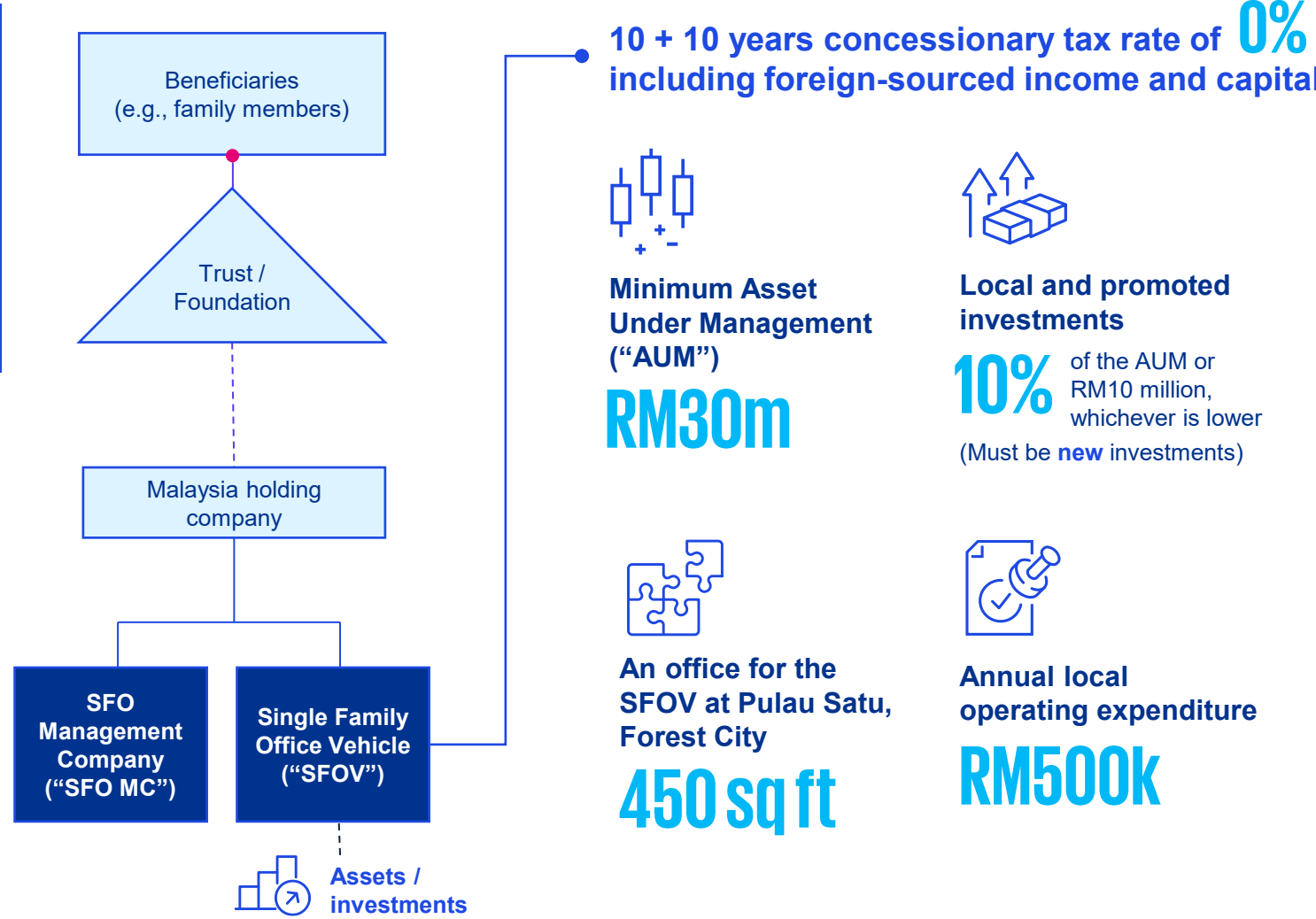
Extension to

31 December 2030

- ✓ Tax certainty
- ✓ Minimal disruption to the capital market
- ✓ No break in capital flows
- ✓ Ease of inward remittance

Forest City Single Family Office

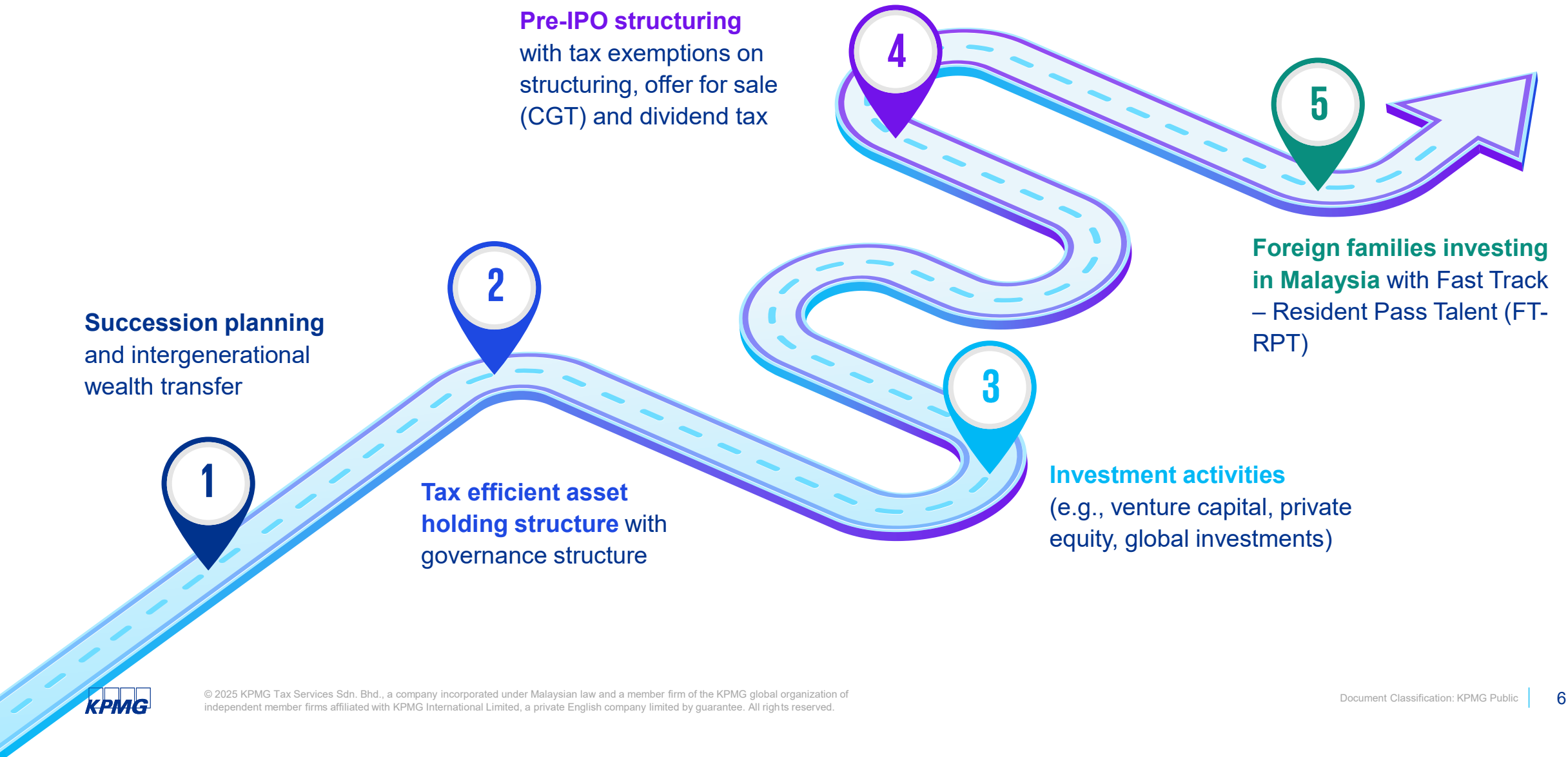
Succession planning



- 2** **Minimum 2 full-time employees in Forest City Special Financial Zone**
- Monthly salary of **RM10,000** per month
 - **One (1)** investment professional (can be a family member)

- Other incentives**
- IBA at the rate of 10% for 10 YAs
 - Tax deduction for relocation expenses of RM500k
 - 10 years WHT exemption on service and Section 4(f) payments
 - 50% stamp duty exemption on transfer of property and financing
 - 15% personal income tax rates for returning experts and knowledge workers

Forest City Single Family Office - use cases



Profit distributions from Limited Liability Partnerships ("LLP"S)

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 LLPs

2

Tax imposed where the profit distribution exceeds RM100,000

Profit distributions from LLP'S

Where LLP partners receives other types of income

- $A \div B \times C = D$

A = Partnership distributions received from LLP(s)(deemed as statutory income of the partner)

B = Aggregate income of the partner

C = Chargeable income of the partner

D = Chargeable income from LLP partnership distributions



Cash aid and targeted subsidies

Cash aids

- Cash aids to lower income bracket
- One off RM100 to Malaysian citizens

Targeted subsidies

- BUDI95
- BUDI Diesel
- Electricity tariff restructuring to continue



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

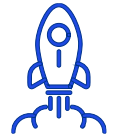
- Expanded to include household food waste grinders and/or Closed- Circuit Television (“CCTV”) for home use
- Claimable once within 2 years
- Applicable for YA 2026 and YA 2027



Domestic Tourism expenses-RM1,000

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

Incentives and allowances



ACA

Accelerated capital allowances (“ACA”)
for locally-sourced plant, machinery,
ICT equipment and computer software

**Initial
allowance**

20%

**Annual
allowance**

40%

Period: 11 October 2025
to 31 December 2026

- ✓ Local sourcing
- ✓ Fully claimed in 2 years



GITA

Green Investment Tax Allowance (“GITA”)

100% Locally manufactured green
technology products certified under
the MyHIJAU Mark for own use



Listing

Tax deduction on listing expenses

RM1.5m

MSMEs in technology, energy and
utilities sectors

- Years of Assessment 2026 to 2030



GTFS 5.0

Green Technology Financing Scheme 5.0 (“GTFS 5.0”)

60% - 80% Government guarantee on
green financing

- Until 31 December 2026

Venture capital

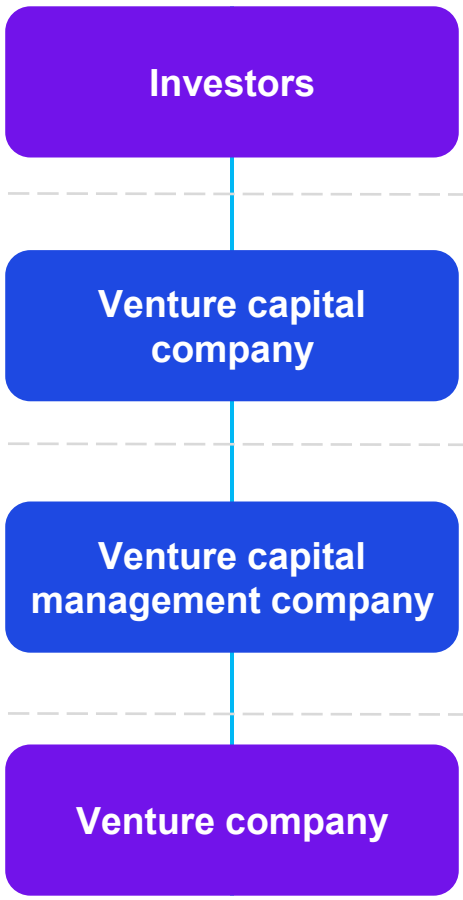
Current

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



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

Restructuring of tax instalment

Current



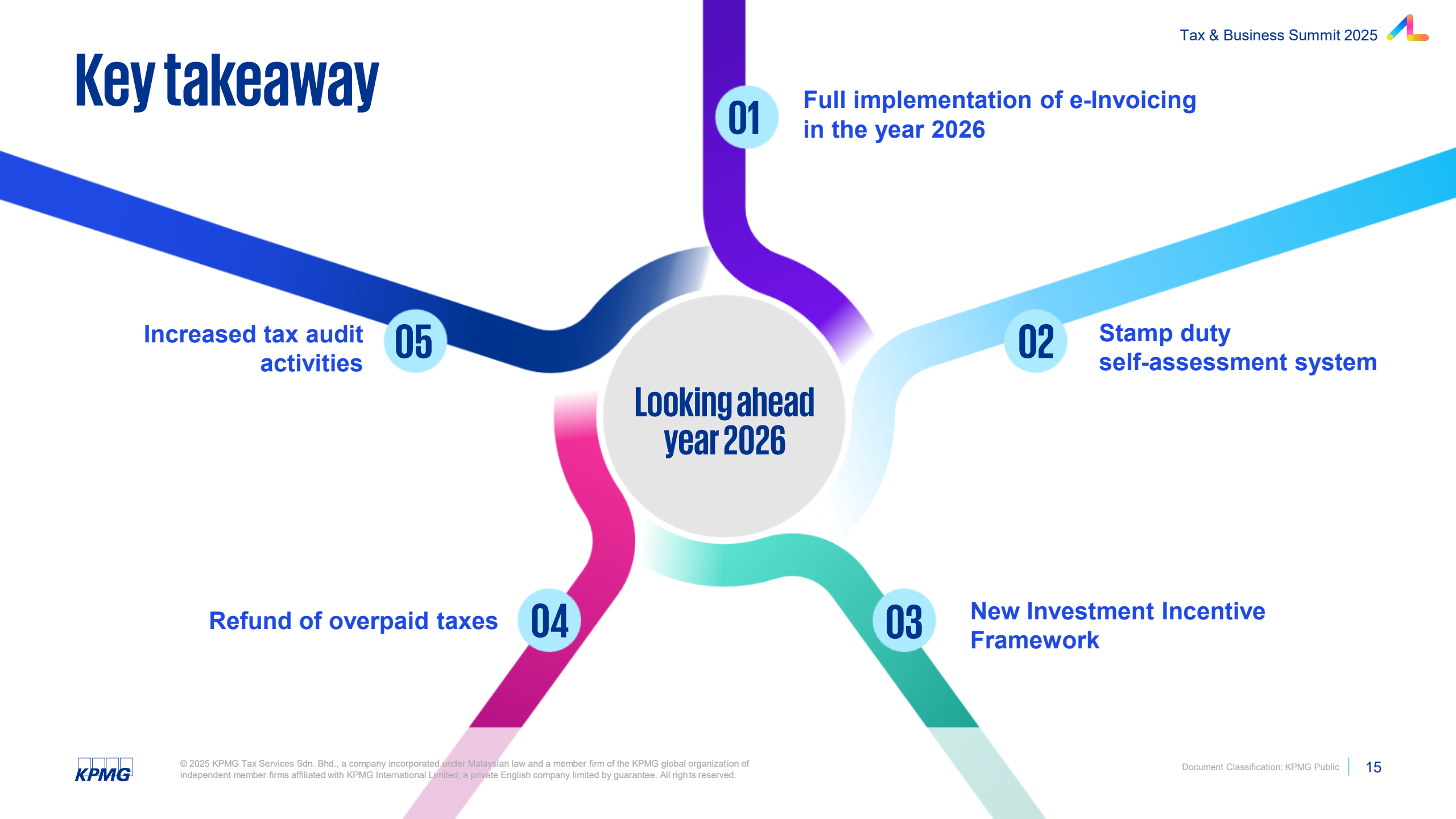
Proposed

- 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**

The background is a solid blue color. On the left side, there is a complex, abstract graphic composed of numerous overlapping, semi-transparent lines and dots in various colors including white, yellow, orange, red, pink, purple, and teal. These elements are arranged in a way that suggests movement and connectivity. In the upper right quadrant, there are several concentric, faint white circles. In the lower right quadrant, there are several concentric, faint white circles. In the upper left quadrant, there is a small, faint grid of white dots.

Questions?

Key takeaway







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