Malaysia's New Investment DNA

Outcome-Based Incentives for a High-Impact Future

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KPMG in Malaysia

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Overview and Commentary

Chang Mei Seen
Partner, Investment and Tax Incentives

Mah Chun Wai
Senior Director, Investment and Tax Incentives

Key Message

"Malaysia's Outcome-Based Incentive Framework redefines how the nation attracts and rewards investment – shifting from quantity to quality, from cost to capability and from promises to performance.

This marks a bold step toward a more competitive and resilient economy, where investors are rewarded not merely for their presence, but for the real value they create."

Malaysia's New Investment DNA: Outcome-Based Incentives for a High-Impact Future

Malaysia's Belanjawan MADANI 2026, the fourth budget under Prime Minister and Finance Minister YAB Dato' Seri Anwar bin Ibrahim, truly lives up to its name as "The People's Budget." It is not about big promises or political headlines; it is about fixing what matters most to everyday Malaysians. With a total allocation of RM470 billion, the Budget 2026 is a practical plan to grow the economy while keeping spending in check. The government expects the economy to grow between 4.0 and 4.5 percent next year. What makes this budget stand out is its focus on building long-term resilience, better jobs, stronger communities, and a fairer system. Under the Ekonomi MADANI framework, the aim is not just short-term relief, but real structural change, empowering women, youth, and small businesses, while tackling the rising cost of living and ensuring food and energy security for everyone.

The Shift to an Outcome-Based Incentive Framework

The shift towards an Outcome-Based Incentive Framework under the New Industrial Master Plan (NIMP) 2030 marks a pivotal evolution in Malaysia's investment promotion strategy. Building on the ongoing 2025 pilot phase, which targeted strategic and high-impact investments, the framework is slated for full implementation in 2026, beginning with the manufacturing sector in the first quarter, followed by the services sector in the second quarter. This transition represents a strategic shift from traditional entitled-based tax incentives to a performance-linked model, featuring a tiered mechanism that directly aligns investor rewards with measurable contributions to Malaysia's economic growth.

This reform reflects Malaysia's growing policy maturity and confidence in competing on capability, innovation and impact rather than cost. Under the new framework, a true partnership between the Government and investors will unlock greater rewards when investments of high value-added activities contribute to Malaysia's economic transformation.

Aligned with Rancangan Malaysia Ke-13 (RMK-13) and NIMP 2030, the Outcome-Based Incentive Framework would establish a clear performance metrics across multiple dimensions: high-value job creation, R&D and technology transfer, export competitiveness, sustainability and regional inclusivity. Priority sectors include semiconductors, pharmaceuticals, artificial intelligence, digital economy, renewable energy and green industries - the growth engines of Malaysia's next industrial chapter.

For investors, this evolution brings higher accountability but also greater opportunity. It introduces a transparent, merit-based framework where impactful projects are recognized and rewarded. In essence, Malaysia is reshaping its incentive ecosystem to be smarter, targeted and transformative, ensuring that every ringgit of fiscal support generates tangible economic and social dividends.

By linking incentives to results, the Outcome-Based Incentive Framework transforms policy intent into performance, bridging national priorities with private enterprise to power Malaysia's shift toward sustainable, innovation-led growth.

Enabling Ease of Doing Business through KPMG MyAccess

To help investors navigate this evolving incentive landscape, KPMG MyAccess serves as a single-window facilitation hub that brings together all essential services under one single gateway to make market entry simpler, timely, and more certain. From the earliest stages of investment planning to operational setup, we provide a streamlined approach that provides clarity — giving investors the confidence to focus on growing their business rather than navigating bureaucracy.

Through collaborative partnerships with relevant stakeholders, KPMG MyAccess enables investors to translate policy understanding into actionable outcomes. It reflects KPMG's broader commitment to supporting Malaysia's transformation into a destination where incentives are not just accessible, but achievable.

Conclusion: A Framework for a High-Impact Investment Nation

The Outcome-Based Incentive Framework marks Malaysia's evolution from cost-driven competition to capability-driven growth. Ultimately, the Outcome-Based Incentive Framework is more than policy reform, it is Malaysia's declaration of our aspiration. It tells global investors that the nation is ready to compete on innovation, sustainability, and talent.

Authors

Chang Mei Seen
Partner
Investment and Tax Incentives
meiseenchang@kpmg.com.my

Mah Chun Wai
Senior Director
Investment and Tax Incentives
chunwaimah@kpmg.com.my

Nicholas Kuo
Director
Investment and Tax Incentives
minyeekuo@kpmg.com.my

Contact Us

Petaling Jaya Office

Soh Lian Seng
Partner –
Head of Tax and Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Tai Lai Kok
Partner – Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

Bob Kee
Partner – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Long Yen Ping
Partner –
Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Ng Sue Lynn
Partner – Head of Indirect Tax
suelynnng@kpmg.com.my
+603 7721 7271

Outstation Offices

Penang Office

Evelyn Lee
Partner
evewflee@kpmg.com.my
+603 7721 2399

Poh Sin Yue
Executive Director
sypoh@kpmg.com.my
+603 7721 7285

Kuching & Miri Offices

Regina Lau
Partner
reglau@kpmg.com.my
+603 7721 2188

Kota Kinabalu Office

Titus Tseu
Executive Director
titustseu@kpmg.com.my
+603 7721 2822

Johor Office

Ng Fie Lih
Partner
flng@kpmg.com.my
+603 7721 2514

Ipoh Office

Crystal Chuah Yoke Chin
Associate Director
ycchuah@kpmg.com.my
+603 7721 2714

KPMG Offices

Petaling Jaya
Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Penang
Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +604 238 2288
Fax: +604 238 2222
Email: info@kpmg.com.my

Kuching
Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +6082 268 308
Fax: +6082 530 669
Email: info@kpmg.com.my

Miri
1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +6085 321 912
Fax: +6085 321 962
Email: info@kpmg.com.my

Kota Kinabalu
Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +6088 363 020
Fax: +6088 363 022
Email: info@kpmg.com.my

Johor
Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +607 266 2213
Fax: +607 266 2214
Email: info@kpmg.com.my

Ipoh
Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +605 253 1188
Email: info@kpmg.com.my

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