KPMG

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

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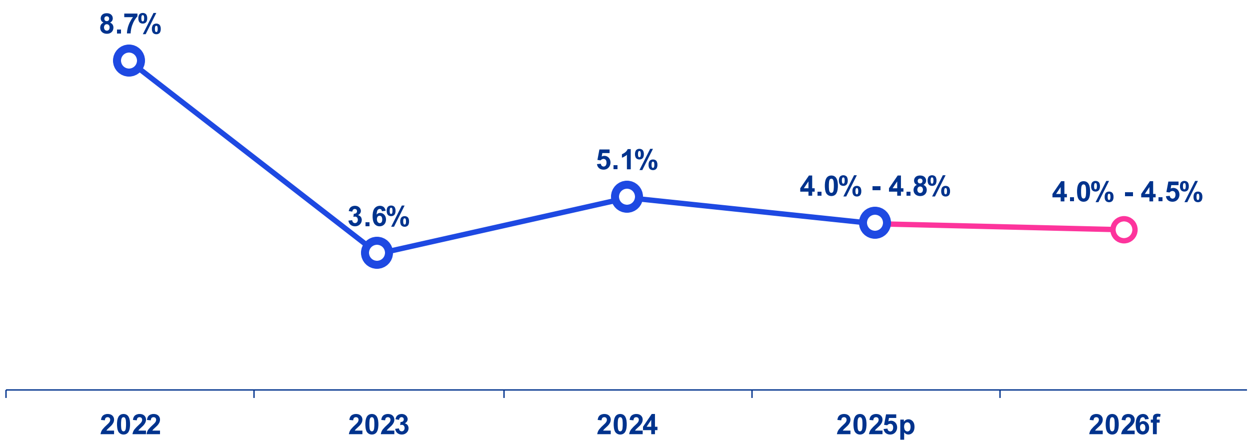
**Tax Summit 2025** | 5 November 2025

# GDP growth

## YoY GDP growth




Source: Ministry of Finance, Economic Outlook 2026

Note: p: - Preliminary data f – Forecast data

### 2025

The economy is anticipated to expand between 4% to 4.8%.

Driven by robust domestic demand, controlled inflation, a healthy labor market, and proactive government policies.

### 2026

The economy is expected to grow between 4% and 4.5%.

Supported by resilient domestic demand and a steady external sector.

# GDP growth by sectors

The services sector remains a key engine of economic growth, bolstered by strong household consumption and a surge in tourist arrivals and spending linked to Visit Malaysia 2026 campaign.

The agriculture sector is expected to grow, driven by higher crude palm oil output.

Expansion remains favorable for the manufacturing sector, supported by both export and domestic-oriented industries with the E&E cluster to remain the key driver. Steady growth path for the construction sector.

| YoY GDP growth (%) | 2022 | 2023 | 2024 | 2025p | 2026f |
|---|---|---|---|---|---|
| Manufacturing | 8.1 | 0.7 | 4.2 | 3.8 | **3.0** |
| Agriculture | 0.1 | 0.7 | 3.1 | 1.2 | **2.2** |
| Services | 10.9 | 5.1 | 5.3 | 5.1 | **5.2** |
| Mining | 2.6 | 0.5 | 0.9 | 1.1 | **-1.0** |
| Construction | 5.0 | 6.1 | 17.5 | 10.1 | **6.1** |

Source: Ministry of Finance, Economic Outlook 2026

Note: p: - Preliminary data f – Forecast data

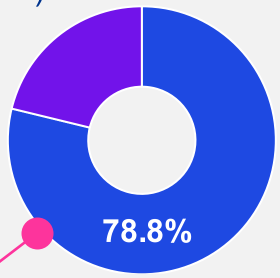
# Federal government revenue

Revenue in **2025** is estimated to **rise by 2.9%** to RM334.1 billion, mainly contributed by tax revenue. The revenue is expected to **increase by 2.7%** to RM343.1 billion in **2026.**

## 2026 federal government revenue

**Tax revenue**
(projected at RM270.4 billion – 78.8% of total revenue, 12.7% of GDP)

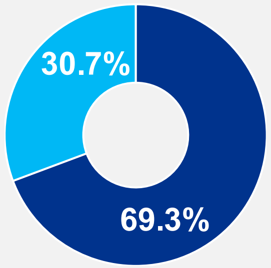
**Non-tax revenue**
(projected at RM72.7 billion - 3.4% of GDP)
(Licenses and permits, investment income)

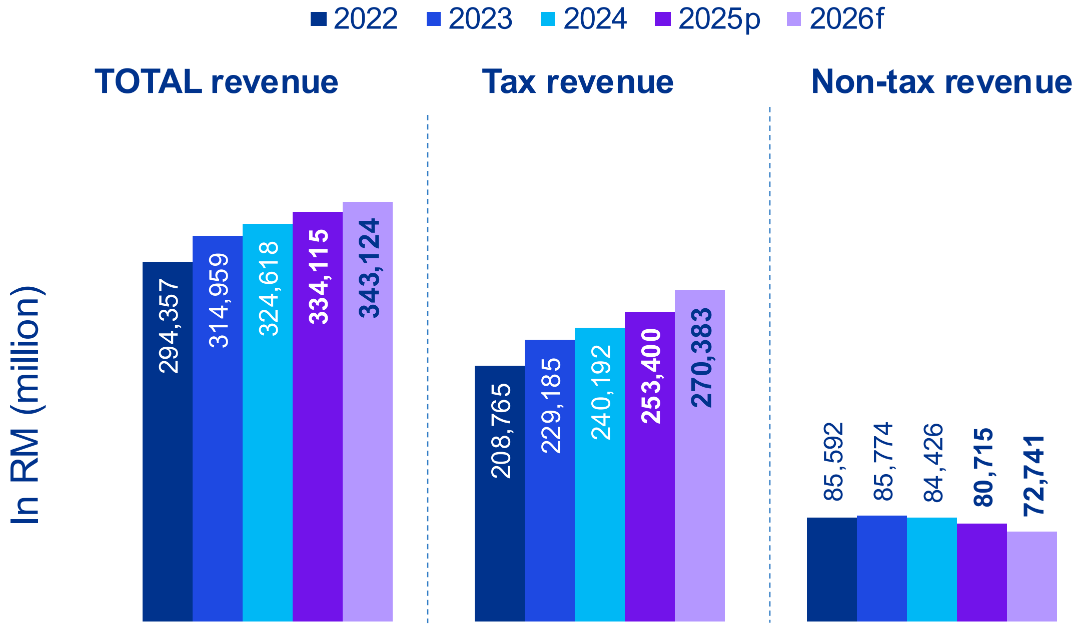



## 2026 tax revenue

**Direct tax (69.3%)**
(+ 5.8% to RM187.4b)

**Indirect tax (30.7%)**
(+ 8.9% to RM83b)

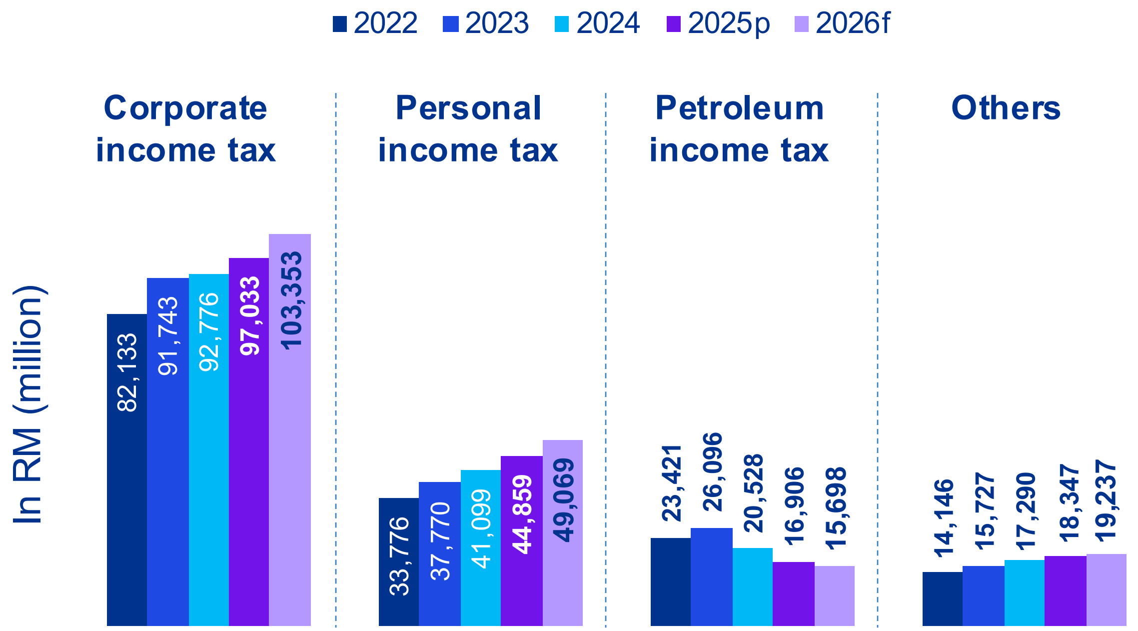


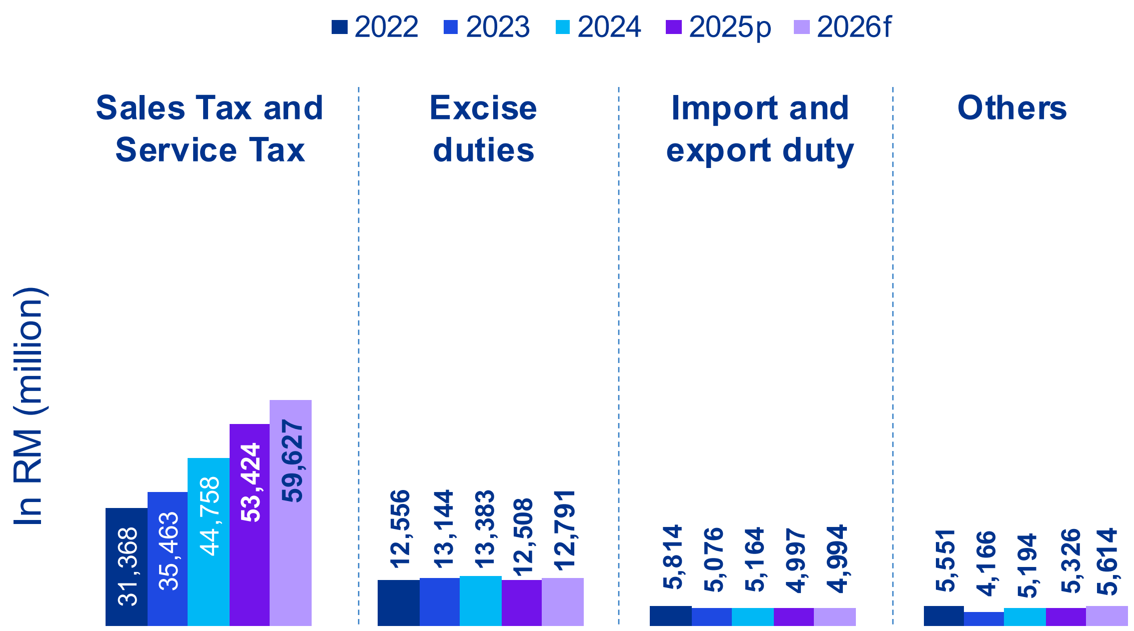




| in RM million | 2022 | 2023 | 2024 | 2025p | 2026f |
|---|---|---|---|---|---|
| Direct tax | 153,476 | 171,336 | 171,693 | **177,145** | **187,357** |
| Indirect tax | 55,289 | 57,849 | 68,499 | **76,255** | **83,026** |

Note: p: - Preliminary data f – Forecast data

# Federal government revenue




| in RM million | 2022 | 2023 | 2024 | 2025p | 2026f |
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Source: Ministry of Finance, Fiscal Outlook and Federal Government Revenue Estimates 2026

Note: p: - Preliminary data f – Forecast data

# Capital Gains Tax

# 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 clarified to include: -

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

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

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

# Foreign-sourced income and gains

# 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

Current

Proposed

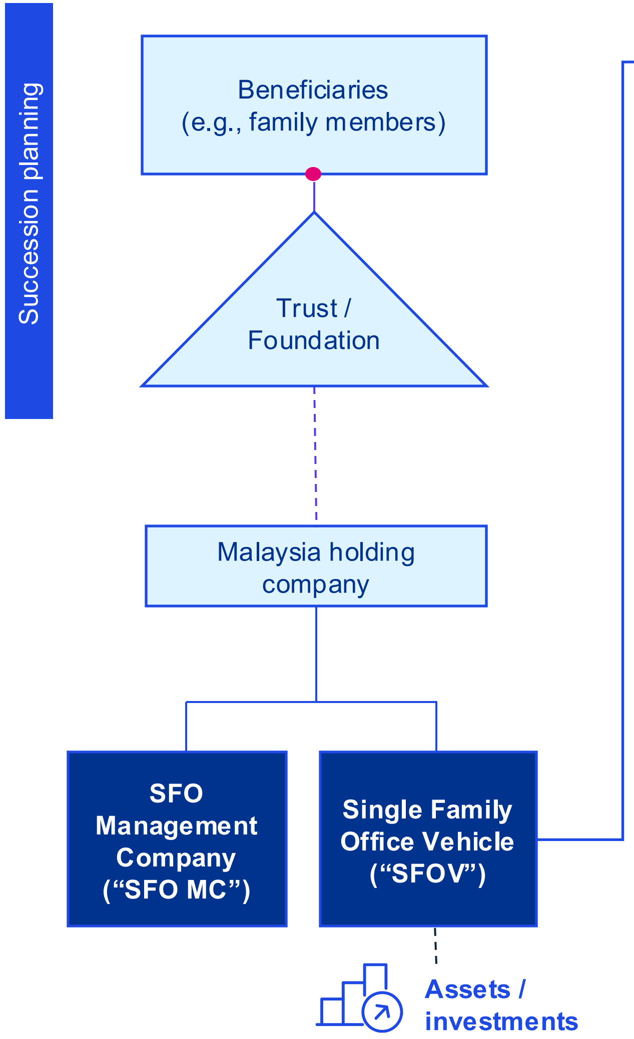
**Extension to**

## 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

# Forest City Single Family Office




## 10 + 10 years concessionary tax rate of 0% including foreign-sourced income and capital gains

**Minimum Asset Under Management ("AUM")**

**RM30m**

**Local and promoted investments**

**10%** of the AUM or RM10 million, whichever is lower

(Must be **new** investments)

**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)

**An office for the SFOV at Pulau Satu, Forest City**

**450 sq ft**

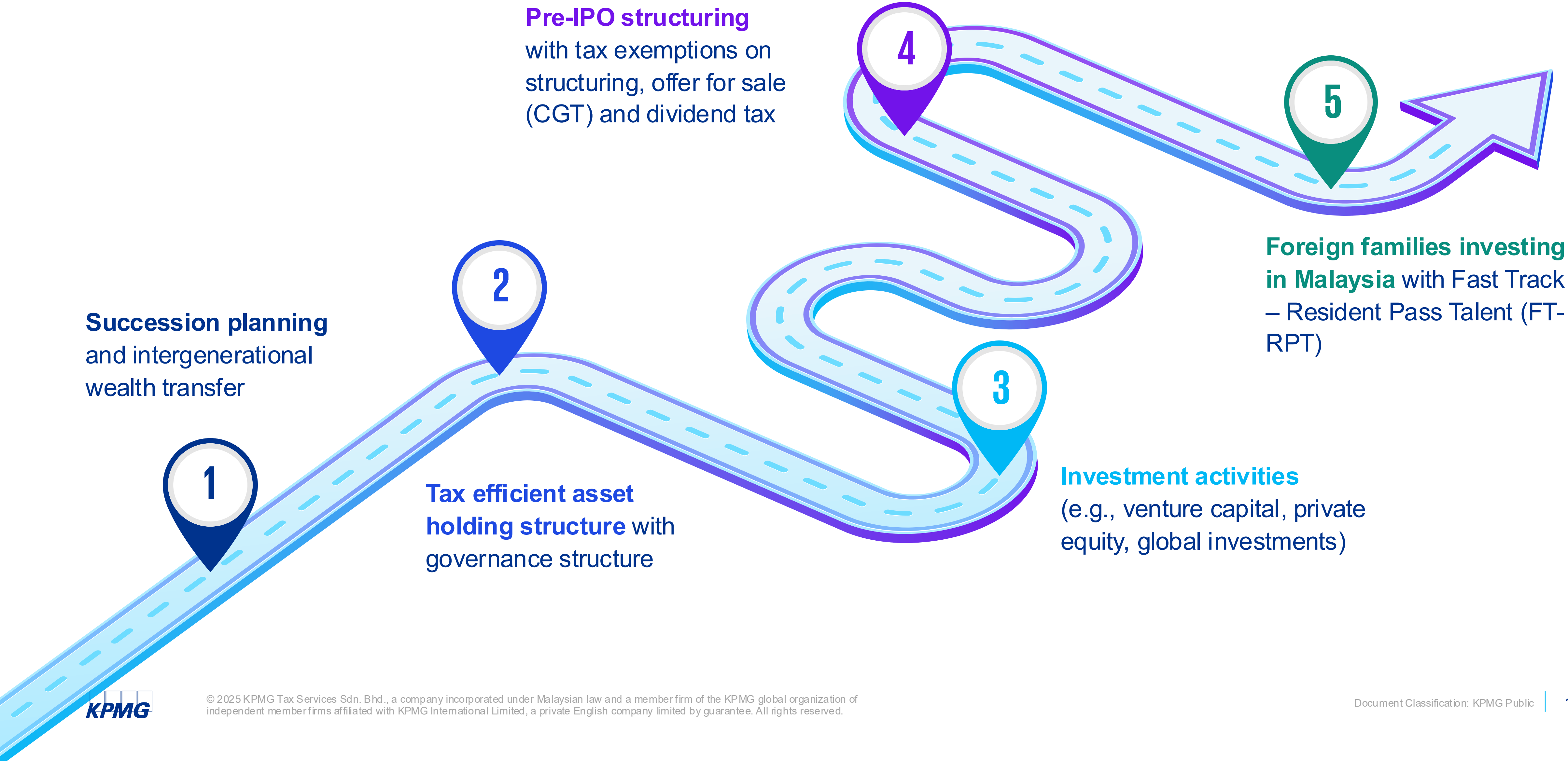
**Annual local operating expenditure**

**RM500k**

### 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




**Succession planning** and intergenerational wealth transfer

**Tax efficient asset holding structure** with governance structure

**Investment activities** (e.g., venture capital, private equity, global investments)

**Pre-IPO structuring** with tax exemptions on structuring, offer for sale (CGT) and dividend tax

**Foreign families investing in Malaysia** with Fast Track – Resident Pass Talent (FT-RPT)

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

# 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

Effective YA2026

# Profit distributions from LLP"S

## Where LLP partners receives other types of income

- A ÷ B x 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

# Personal Tax

# 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

# Personal Tax

## Review of personal relief for childcare or kindergarten fees

### Current

Relief of up to RM2,000 (perpetual) and RM1,000 (YA 2020 until YA 2027) is given on fees paid for childcare at:

- Childcare Centres (TASKA) registered with the Department of Social Welfare; or
- Kindergartens (TADIKA) registered with the Ministry of Education Malaysia

Age limit: up to 6 years old

### Proposed

Relief of up to **RM3,000** is made perpetual

Eligible premises **expanded** to cover:

- Daily care centres or after-school transit centres registered with Department of Social Welfare

Age limit: up to **12 years old**

From YA 2026

# Personal Tax

## Personal relief for children with learning disabilities

**Current**

**Relief of up to RM6,000 (part of medical expenses of RM10,000)**

On expenditure for a child aged 18 years and below with learning disabilities:

- Assessment and diagnosis
- Early intervention programme or rehabilitation treatment

**Proposed**

**Increase in the relief limit**

To RM10,000

From YA 2026

# Personal Tax

## Personal relief for insurance premiums

### Current

1 Life insurance premiums or takaful contributions

- For self or husband / wife
- Up to RM3,000

2 Education and medical insurance premiums

- For self, husband / wife or children
- Up to RM4,000

### Proposed

1 Life insurance premiums or takaful contributions

- Be expanded to include children

2 Eligibility criteria for insured children for the purpose of claiming relief on life insurance premiums / takaful contributions, education and medical insurance premiums

- Aged below 18 and unmarried
- Aged 18 and above, unmarried and pursuing tertiary education
- No age limit for unmarried disabled children

From YA 2026

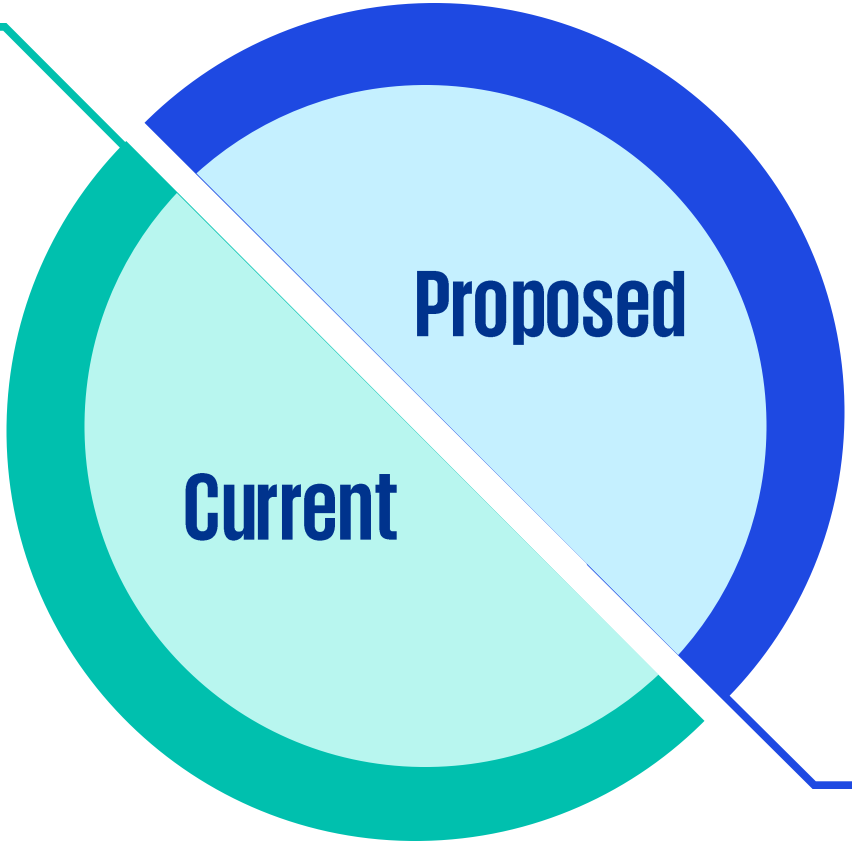
# Personal Tax

## Personal relief on vaccination expenditure

### Expenses for self, spouses and children

Relief of up to RM1,000 for vaccination expenses as listed:

- Pneumococcal
- Human papillomavirus (HPV)
- Influenza
- Rotavirus
- Varicella
- Meningococcal
- TDAP combination (tetanus-diphtheria-acellular-pertussis)
- COVID-19




### Expansion of scope

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

From YA 2026

# Personal Tax

## Personal relief on entrance fees to local tourist attractions and cultural and art programs

Current

**Relief of up to RM1,000 on**

- Accommodation at premises registered with the Commissioner of Tourism (from 1 March 2020 until 31 December 2022)
- Entrance fees to tourist attractions (from 1 March 2020 until 31 December 2022)
- Purchase of domestic tourism packages through licensed travel agents registered with the Commissioner of Tourism (from 1 January 2021 until 31 December 2022)

Proposed

**Relief of up to RM1,000**

Be given for expenses on entrance fee to:

- Tourist attractions
- Cultural and art programmes

For YA 2026

# Corporate Tax

# 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

# Restructuring of tax instalment

## Current

**First tax instalment**
**15 February**

**Last tax instalment**
**15 January of the following year**

1 January

31 December

## 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**

# Stamp Duty

# Stamp Duty

## Stamp duty exemption on employment contract

**Current**

**Wage threshold for stamp duty exemption**

on employment contract is RM300 per month

**Proposed**

**Wage threshold for stamp duty exemption**

on employment contract is increased to RM3,000 per month

For employment contract executed from 1 January 2026

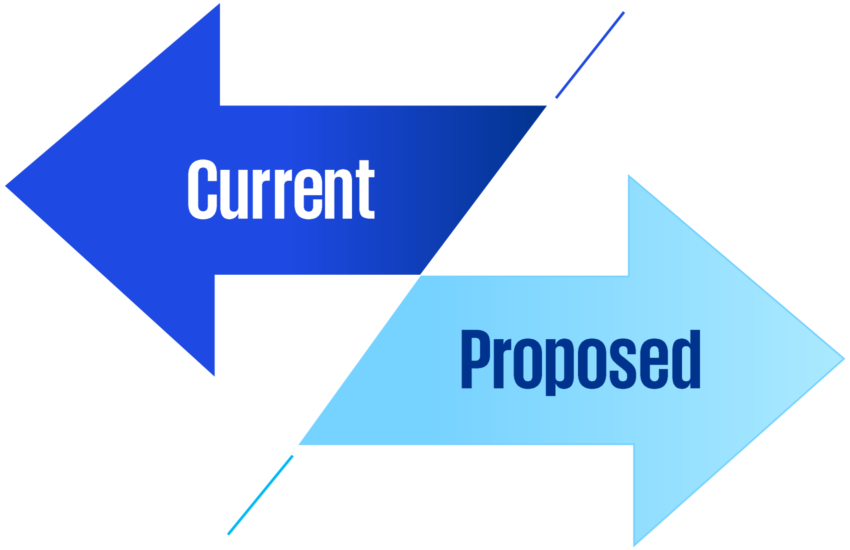
# Stamp Duty

## 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 on insurance policies or takaful certificates

### Current

1 Insurance policy or takaful certificate to qualifying products:

- To MSMEs with an annual premium or contribution not exceeding RM250
- To individuals with an annual premium or contribution not exceeding RM150
- Issued on or after 1 January 2022 but no later than 31 December 2025

2 Insurance policy or takaful certificate for Perlindungan Tenang Products:

- Issued on or after 1 January 2019 but no later than 31 December 2025

### Proposed

1 Extension of exemption period

- For 3 years

For policies issued from 1 January 2026 until 31 December 2028

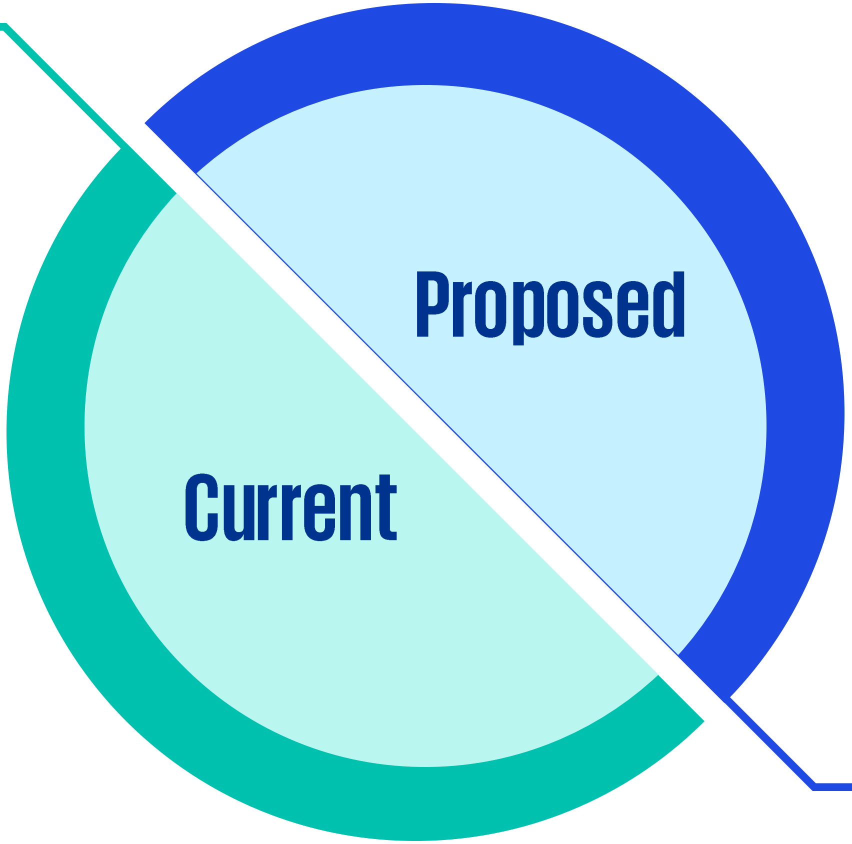
# Stamp Duty

## Stamp duty exemption for first home ownership

### 100% stamp duty exemption

On the instrument of transfer and loan agreement executed for the purchase of a first residential property

- By a Malaysian citizen
- Value of such property does not exceed RM500,000
- Instrument executed on or after 1 January 2021 but not later than 31 December 2025




### Extension of exemption period

- For 2 years

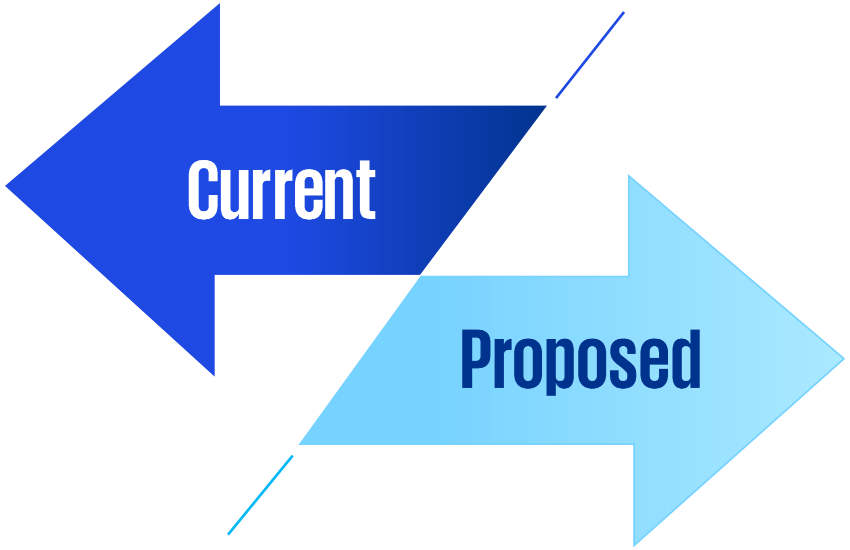
For instruments executed from 1 January 2026 until 31 December 2027

# Stamp Duty

## Stamp duty exemption on contract note for the sale and purchase transaction of exchange-traded fund ("ETF")

**100% stamp duty exemption**

on contract note executed on or after 1 January 2018 but not later than 31 December 2025




**Extension of exemption period**

- For 3 years

For ETF transactions from 1 January 2026 until 31 December 2028

# Stamp Duty

## Stamp duty exemption on contract note for buy-side transaction of structured warrant

**Stamp duty at the rate of 0.1%**

- Capped at RM200 on each contract note
- 100% stamp duty exemption was previously given on contract note for structured warrant executed on or after 1 January 2018 but not later than 31 December 2020

Current

Proposed

**100% stamp duty exemption**

- For 3 years

For buy-side structured warrant transactions executed from 1 January 2026 until 31 December 2028

# Stamp Duty

## Stamp duty on exchange of real properties

**Current**

**Duty is payable by the parties involved in equal share**

**Proposed**

**Duty shall be payable by each transferee in accordance with the value of the real property acquired**

From 1 January 2026

# 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

**Current**

**Prosecution:**

- Fine not less than RM1,000 and not exceeding RM10,000; and
- A special penalty equal to the amount of duty which has been undercharged

**No prosecution:**

- Penalty equal to the amount of duty which has been undercharged

**Proposed**

**Penalty under Section 72D will be remitted**

From 1 January 2026 until 31 December 2026

# Real Property Gains Tax ("RPGT")

# RPGT

## Treatment of loss for disposal of chargeable assets

**Current**

### No time limit to utilize allowable losses

- An allowable loss is allowed to set off against chargeable gains in the subsequent disposal of chargeable assets in the same YA in which the disposal occurs
- Unabsorbed allowable loss can be carried forward and set off against chargeable gains from the disposal of chargeable assets in subsequent YAs

**Proposed**

### Time limit to carry forward unabsorbed allowable losses

- 10 YAs

### Transitional period

- Unabsorbed allowable losses for YA 2025 and prior YAs can be carried forward until YA 2035

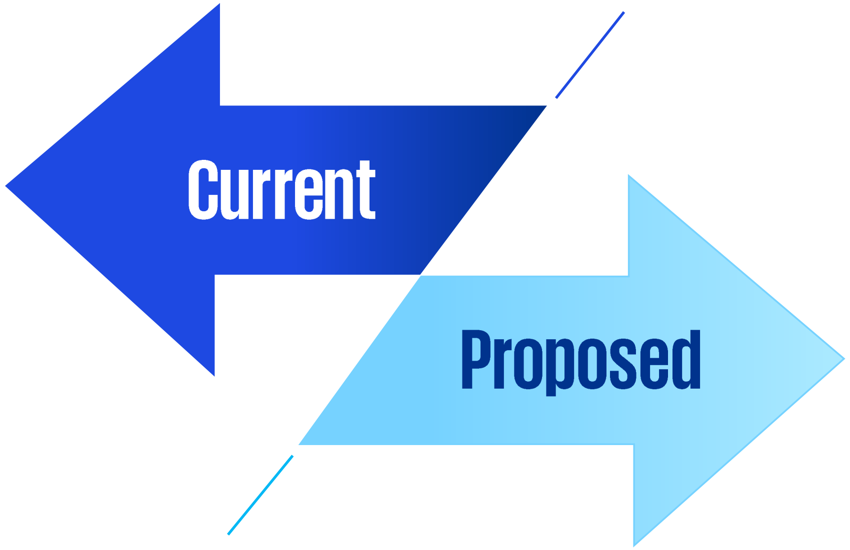
From YA 2026

# 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

Current

Proposed

**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

## Miscellaneous

**01**

- Submission of an amended return shall be made by way of electronic medium or electronic transmission
- From 1 January 2026

**02**

- Application for relief to the Special Commissioner of Income Tax shall be submitted using a prescribed form
- From 1 January 2026

**03**

- Balance of tax payable under deemed assessment may be paid by instalments with the approval of the Director General of Inland Revenue
- From 1 January 2026

**04**

- Director General of Inland Revenue is authorised to revoke an agent's appointment
- From 1 January 2026

**05**

- Authorisation to allow the nominees, tax agents and lawyers to furnish returns on behalf, is to be made electronically
- From 1 January 2027

# 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

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