KPMG

Staying competitive: Investment trends and strategic role of tax incentives

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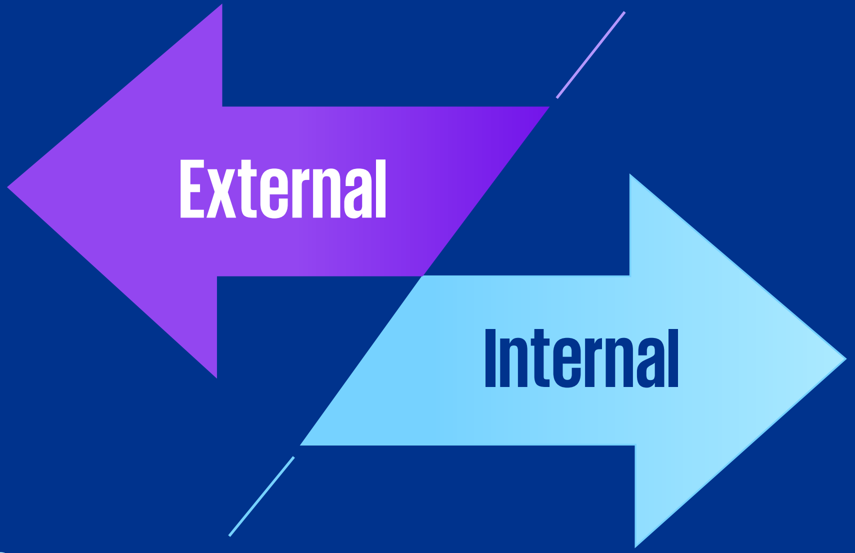
Global & Domestic Investment Pressures in 2026

Global Anti-Base Erosion Model Rules (Pillar Two)

Tighter Global Compliance
- OECD Global Minimum Tax (Pillar Two) sets a 15% floor.
- Traditional tax holidays lose competitiveness.

Supply Chain Regionalization
- Value moves toward cash-based or non-fiscal support.
- Regionalization of supply chains raising costs of market entry and duplication.

Modest Global Growth & Demand Weakness
- The World Bank projects global growth to be modest at 3.2% this year and 3.1% next year. A cumulative downgrade of 0.2% since forecasted a year earlier.



U.S. Tariff Exposure
- April 2025: U.S. announces 24 % baseline tariff on Malaysia; finalized average 19 % (excluding chips)

Investor sentiment & policy uncertainty
- Perceived unpredictability or regulatory inconsistency may deter investment inflows

Talent & wage pressure in key industries
- Rising wage expectations and scarcity of specialized talent (e.g. in high tech, AI, Renewables etc)

Malaysia Investment Performance – 1H 2025

Despite global geopolitical uncertainties, Malaysia continues to stand out as a resilient and attractive investment destination in the region. In the first half of 2025, the country recorded RM190.3 billion in approved investments, reflecting a notable 18.7% year-on-year growth, a testament to investor confidence and Malaysia's robust economic fundamentals.

Services sector

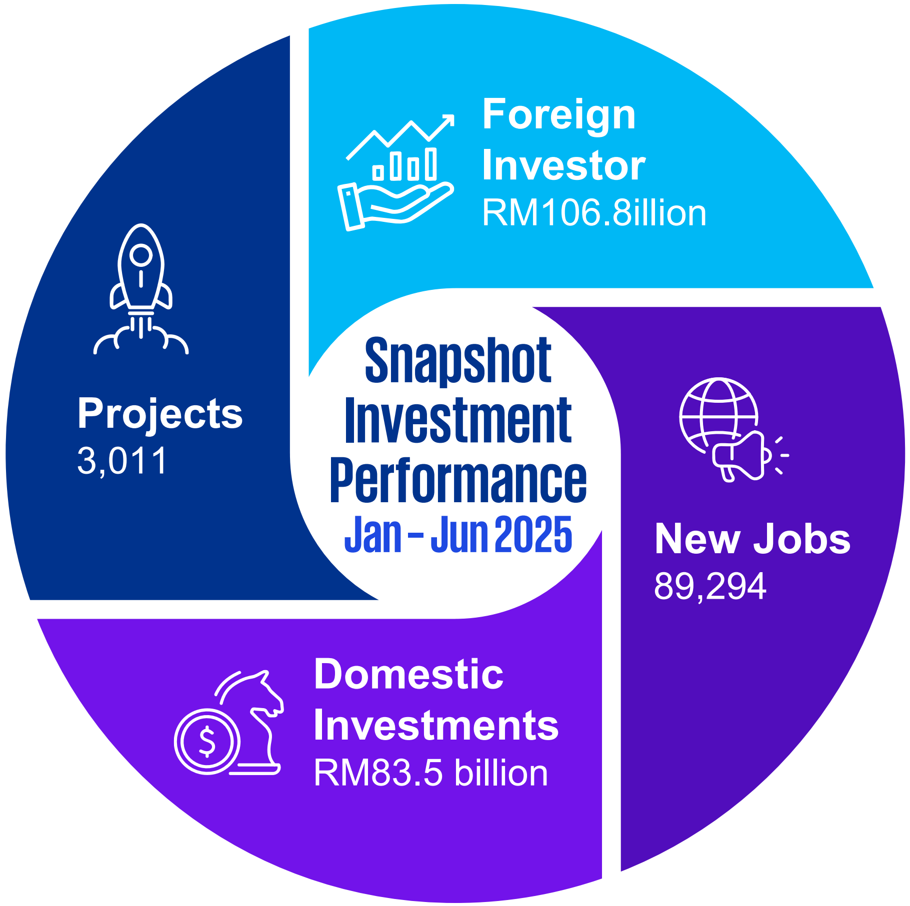
RM118.6 billion

Total approved investment, a significant **25.6%** year-on-year increase.

Manufacturing sector

RM68.4 billion

Approved investment with a robust **13.8%** increases compared to Y2024



Source: MIDA

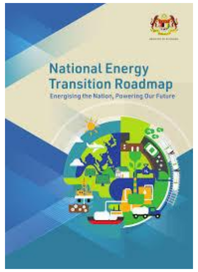
Malaysia's New Investment DNA

National Semiconductor Strategy (NSS)

The NSS involves three phases, with targets that include a total investment of RM500 billion by 2030, developing local semiconductor related companies to be global champions, and nurturing 60,000 skilled local talents.

Source: MITI - NSS

April 2023



National Energy Transition Roadmap (NETR)

Charts Malaysia's pathway to achieve net-zero emissions by 2050 through cleaner energy, efficiency, and renewable sources.

Source: NETR

July 2023

New Industrial Master Plan (NIMP) 2030

Aimed at delivering accelerated and holistic broad-based growth to achieve Malaysia's vision.

Priority sectors: Aerospace, Chemical. E&E, Pharmaceutical and Medical Devices.

Source: NIMP2030

2024

Thirteenth Malaysia Plan 2026 - 2030

Focuses on driving inclusive and sustainable growth through nine key pillars, including technological advancement, high-value economic development, equitable regional progress, and improved healthcare access.

Source: RMK13

2025

New Outcome-Based Incentive Framework/ NIIF

Performance – linked model featuring tiered mechanism.

Metrics across multiple dimensions, eg; high-value job creation, R&D, etc.

Expected to be implemented by Q1 2026 for Manufacturing and Q2 2026 for Services sector

2026

New Investment Incentives Framework (NIIF)

Under the NIIF, high-impact investments in areas such as high-skill job creation, R&D, green transition, and digitalization are rewarded with tiered tax breaks, priority facilitation, and streamlined approvals. This transformative approach positions Malaysia to lead in advanced manufacturing, green industry, and digital growth, strengthening our nation's appeal to quality investors and driving sustainable progress.

Incentives tied to measurable results

- High-Value Jobs & Talent
- High Value activity
- Strategic Sectors Prioritization (Semiconductors, etc)
- Boost Innovation
- Impact towards a meaningful national gains

** non-exhaustive, information gathered based on news articles*

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- Simplified regulatory navigation
- Trusted expertise across KPMG's multidisciplinary
- Strong network with government & industry
- Single access point for business

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