M40 disposable income to grow with tax relief

KUALA LUMPUR: The increase in individual tax relief, coupled with the one-percentage-point reduction in income tax rates for the middle-income group (M40) proposed in Budget 2027, could provide additional disposable income of up to RM1,600 for roughly five million taxpayers, says KPMG Malaysia.

Describing the measures as meaningful for the M40, KPMG Malaysia head of tax Soh Lian Seng said those in the group can sometimes find themselves in a difficult position, as they may not qualify for some forms of targeted assistance, yet face the same pressures from household expenses and rising living costs.

"For the M40, the increase in individual tax relief from RM9,000 to RM12,000 is particularly welcome.

"It is a practical way of putting some money back into their pockets," he told *Bernama* in response to the Budget 2027 tabled by the Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim in Parliament last Friday.

According to Anwar, the tax relief adjustment will be the first revision since 2010.

The budget also proposed a one-percentage-point reduction in tax rates for chargeable income between RM70,000 and RM150,000.

For micro, small and medium enterprises, Soh said the one-percentage-point reduction in income tax rates is also significant, as every ringgit retained can contribute towards cash flow, wages, digitalisation, technology investment or expansion, especially when businesses are dealing with higher operating and compliance costs.

Overall, Soh pointed out that the budget seeks to balance relief today with reform for tomorrow. — Bernama