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Beyond Budget 2027: The work must go on

Comment

The government's broader tax reform agenda should, therefore, continue to place emphasis on clarity and consistency, modernising tax legislation, improving tax administration and strengthening public confidence.

A FEW few months before Budget 2027, I wrote about my tax wish list for Malaysia.

I spoke about recognising the pressures faced by the middle class, making it easier to do business, encouraging voluntary compliance and good tax governance, and preparing our people and businesses for a future increasingly shaped by artificial intelligence (AI) and technology.

Now that Budget 2027 has been tabled, I find myself looking back at the priorities I set out in my wish list: Are we heading in the right direction, and are we moving at the pace required to meet the challenges ahead?

My view is that Budget 2027 represents a meaningful step forward, with several measures addressing concerns that I had raised before.

As we look ahead, a national budget should never be viewed as the destination.

The focus now is building on this progress in a longer-term journey towards a more competitive, inclusive and trusted economy.

Giving the middle class some breathing room

One issue particularly close to my heart is the pressure increasingly borne by middle-income Malaysians.

Many are part of what we call the "sandwich generation". They are raising children, caring for ageing parents, paying mortgages and education expenses, saving for retirement and coping with rising healthcare costs, all at the same time.

That was why my pre-budget wish list called for greater recognition of elderly-parent care, medical expenses, dependent care, retirement adequacy and the broader financial pressures facing households.

Therefore, I am encouraged by several measures tabled in Budget 2027.

The proposed increase in individual personal relief from RM9,000 to RM12,000, together with lower rates for selected income bands, puts some money back into taxpayers' pockets.

Equally meaningful are the expanded reliefs around healthcare, parental and grandparental care, education and skills development.

None of these measures, individually, will solve the cost-of-living challenge. But collectively they send an important signal: the responsibilities carried by ordinary working Malaysians are being recognised.

And perhaps that is where good tax policy starts. Not simply with how much revenue we collect, but with an understanding of the lives behind the numbers.

AI: From conversation to everyday reality

I had also emphasised that e-invoicing should not be seen as the end of Malaysia's digital tax journey. It should be an important step towards a more comprehensive transformation of the tax system.

Digitalising tax administration is one part of this journey. Equally important is how Malaysia prepares its people for AI, data analytics, cybersecurity, automation and other technologies that are rapidly changing the nature of work.

I see the inclusion of AI software and applications subscriptions, under lifestyle expenses in Budget 2027, alongside measures involving education and upskilling, as big steps towards encouraging the adoption of these technologies and helping Malaysians build the capabilities needed for the future.

This is an important shift. AI is no longer something confined to technology companies, research laboratories or boardroom strategy discussions. It is increasingly becoming an everyday productivity tool.

The next challenge is: How do we move from using AI to creating value with it?

For businesses, particularly micro, small and medium enterprises (MSMEs), investment in technology must go hand in hand with investment in people. Machines, software and data can improve productivity, but people ultimately determine how intelligently those tools are deployed.

Helping businesses grow, not merely comply

I also wished for a tax environment that makes it easier to do business. Budget 2027 provides some encouraging steps in this direction.

For MSMEs, the proposed tax rates on the first RM150,000 and the next RM450,000 of chargeable income are reduced by one percentage point, to 14% and 16%, respectively.

Higher qualifying limits for small-value assets and the continuation of accelerated capital allowances for specified investments should also provide businesses with additional capacity to reinvest and improve productivity.

These measures are welcome. But ease of doing business cannot rest on tax rates and incentives alone.

In my pre-budget comments, I highlighted stamp duty administration and the broader importance of clarity, consistency and predictability.

Taxpayers generally understand that taxes must be paid. What businesses struggle with is unnecessary complexity, uncertainty and the time spent resolving matters that ought to be straightforward.

The government's broader tax reform agenda should therefore continue to place emphasis on clarity and consistency, modernising tax legislation, improving tax administration and strengthening public confidence. This journey should continue.

Sometimes the most valuable incentive we can give a business is not another exemption. It is certainty.

Tax corporate governance: From enforcement to trust

One wish that remains particularly important to me is the continued strengthening of tax corporate governance.

Malaysia's tax system is becoming increasingly digital and transparent.

That creates greater capacity for enforcement, but it should also create greater opportunities to build a more mature relationship between taxpayers and tax administration anchored in trust.

My pre-budget proposition was that we should encourage more businesses, including SMEs and mid-sized companies, to embrace strong tax governance and voluntary compliance. I remain convinced that there should be tangible value in doing so.

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A taxpayer that invests in governance, transparency and robust tax controls should ultimately experience a tax system capable of recognising that behaviour.

Over time, the relationship should increasingly move from "prove that you are compliant" towards "demonstrate good governance and earn greater certainty".

That would be more than tax administration.

It would represent a deeper partnership between the government and taxpayers.

A meaningful start, not the destination

So, looking back at my wish list, did Budget 2027 deliver everything I hoped for?

Not entirely.

But perhaps the more important question is how far we have progressed towards these priorities.

There has been meaningful progress.

There is greater recognition of middle-income pressures. There are measures supporting family needs and disposable income.

AI and skills have found a place within the tax conversation.

MSMEs receive additional breathing room, while incentives for investment, digitalisation and strategic activities reinforce Malaysia's longer-term competitiveness agenda.

These developments deserve recognition. But progress should also raise our ambitions for what comes next.

The real test of Budget 2027 starts after the applause surrounding Budget Day has faded. For the rakyat, the question will be whether policies genuinely improve their lives and opportunities.

For businesses, it will be whether Malaysia becomes simpler and more predictable as a place to invest and grow.

For our tax system, it will be whether greater digitalisation leads not only to stronger collection and compliance, but also to greater certainty, trust and efficiency.

And for Malaysia, ultimately, the question is whether today's measures translate into tomorrow's productivity, investment, better jobs and sustainable prosperity.

Before the budget, I wrote that the best budgets are not necessarily those that spend the most.

They are those that provide certainty to act, incentives to invest and foundations on which to build a more productive, trusted and future-ready Malaysia. I still believe that.

Budget 2027 is a meaningful start. But nation-building, like tax reform, has no final finishing line.

We should recognise the progress we have made, learn from it, and keep moving forward. We cannot afford to rest on our laurels, because becoming too comfortable with where we are today risks leaving us behind tomorrow.

A good budget moves us forward. A great budget gives us the confidence, capacity and determination to keep moving.

And that, for me, should be the journey beyond Budget 2027.

Soh Lian Seng is head of tax for KPMG in Malaysia. The views expressed here are the writer's own.