



Budget 2027 & Tax Updates: Key changes and business implications

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Budget 2027: Overview

No major new tax. A clearer link between relief, value creation and compliance.



Invest Smarter: Lowering the Cost of Growth

Immediate support for MSMEs and productive capital expenditure

Reduced Income Tax rates for Micro, Small and Medium Enterprises (MSMEs)

- Effective from YA 2027, the corporate income tax rates for MSMEs will be as follows:
 - First RM150,000 of chargeable income:
15% → 14%
 - RM150,001 to RM600,000 of chargeable income:
17% → 16%.
- Chargeable income exceeding RM600,000: 24%.

Extended Accelerated Capital Allowance (ACA)

- Qualifying capital expenditure for Plant, Machinery and Information Communication Technology (ICT) Equipment
 - ✓ Initial allowance: 20%
 - ✓ Annual allowance: 40%
- **Extended to 31 December 2030.**

Capital Allowance (CA) on Small Value Assets (SVA)

- Effective from **YA 2027** –
 - 100% annual allowance per-asset threshold:
RM2,000 → RM3,000
 - Annual claim limit:
RM20,000 → RM30,000
- Unrestricted claims for MSMEs.

Also extended Angel investor • Equity crowdfunding • International event organiser incentives

Create Value: Strengthening Malaysia as a Regional Hub

Review of Global Services Hub (GSH) Incentive

For applications received by MIDA from 1 January 2027.

	New Company	Existing Company	
Tax Rate	5% on GSH income	15% ($\leq$ base income)	5% ($>$ base income)
Incentive period	Every 5 years up to a maximum of 30 years*		
Qualifying Activities	- Regional P&L / Business Management Unit - Strategic Business Planning - Corporate Development		
Additional Services	Must undertake a minimum of two (2) qualifying activities under the following service categories: a) Strategic services; or b) Business services (including Treasury Fund Management – TFM); or c) Shared services.		
Exempted Income	- Service income; or - Service and trading income; and - TFM activity income as prescribed by the Minister of Finance.		
Treasury Fund Management (TFM)	Additional incentives for GSH company undertaking TFM activities specifically for cash pooling via onshore intermediaries**: a) Withholding tax exemption on interest paid to non-residents; and b) Stamp duty exemption of 100% on loan agreements between companies in foreign currencies.		

* subject to the company's performance/commitment during the preceding and subsequent incentive periods

** expanded to GSH companies under the Johor-Singapore Special Economic Zone (JS-SEZ) package

Create Value: Attracting Higher-value Activities

Review of Reinvestment Allowance

- The Reinvestment Allowance incentive will be reviewed including its eligibility criteria and mechanism

Introduction of Multi-Family Office Model

- The Single-Family Office (SFO) scheme introduced by the Securities Commission (SC) operating in Forest City enables investment by high-net worth families in Malaysia through a concessionary 0% tax rate on eligible investment income for 20 years by SFO Vehicles (SFOV).
- Budget 2027 introduces the MFO model, allowing a **licensed fund manager to offer services to multiple families** including existing approved SFOVs, increasing opportunities for licensed fund managers.



Create Value: Sustainability as a Core Tax Theme

Revised Framework for Green Investment Tax Allowance (GITA)

GITA Project (Business Purposes)

Tier structure streamlined from 3 tiers to 2 tiers with corresponding revision to qualifying activities.

Tier 1 i. Green hydrogen ii. Ocean thermal energy conversion	100% GITA qualifying capital expenditure (QCE), set-off against 100% or 70% of statutory income (SI) for 5 + 5 years (unchanged)
Tier 2 i. EV charging station ii. Renewable Energy systems	60% of GITA on QCE, set-off against 70% of SI for 5 years (reduced from 100% GITA with 100% SI set-off previously available)

For applications received by MIDA from 1 January 2027 to 31 December 2030.

GITA Asset (Own Consumption)

Tier 1	100% GITA on QCE set-off against 70% of SI (unchanged)
Qualifying assets:	
- electric motorcycle / scooter and green building	
+ locally produced electric vehicle infrastructure, waste composting and recycling system, wastewater recycling and rainwater harvesting system as well as renewable energy integrated system	
Tier 2	60% of GITA on QCE set-off against 70% of SI (unchanged)
Qualifying assets:	
- energy efficiency assets and solar renewable energy system	
+ electric vehicle infrastructure	

For qualifying assets purchased from 1 January 2027 to 31 December 2030 as verified by the Malaysian Green Technology and Climate Change Corporation.

Create Value: Strategic Sector Support

Sustainable Financing

Tax Deduction for Sukuk Prisma Issuance Costs

- An **income tax deduction** for the issuance cost of Sukuk Prisma to finance sustainable projects approved or authorized by the SC, or lodged with the SC, from YA 2027 to YA 2030.

Centre for Islamic fund management

Extension of Shariah-Compliant Fund Management Tax Incentive

- **40% income tax exemption** on statutory income derived from managing Shariah-compliant funds for resident companies providing SC-approved shariah-compliant fund management services (reduced from 60% previously).
- The exemption will be **extended for 3 years from YA 2028 to YA 2030**.

Ecosystem support

Extension of Tax Exemption for Malaysian Shipping Company

- Malaysian shipping companies can enjoy **100% income tax exemption** provided that the –
 - Strategic management and effective control are implemented in Malaysia;
 - Annual operating expenditure in Malaysia of at least RM250,000 for each Malaysian ship; and
 - Employ at least 4 Malaysian citizens with an average monthly salary of RM15,000 for each Malaysian ship.
- The exemption will be **extended for 3 years from YA 2027 to YA 2036**.

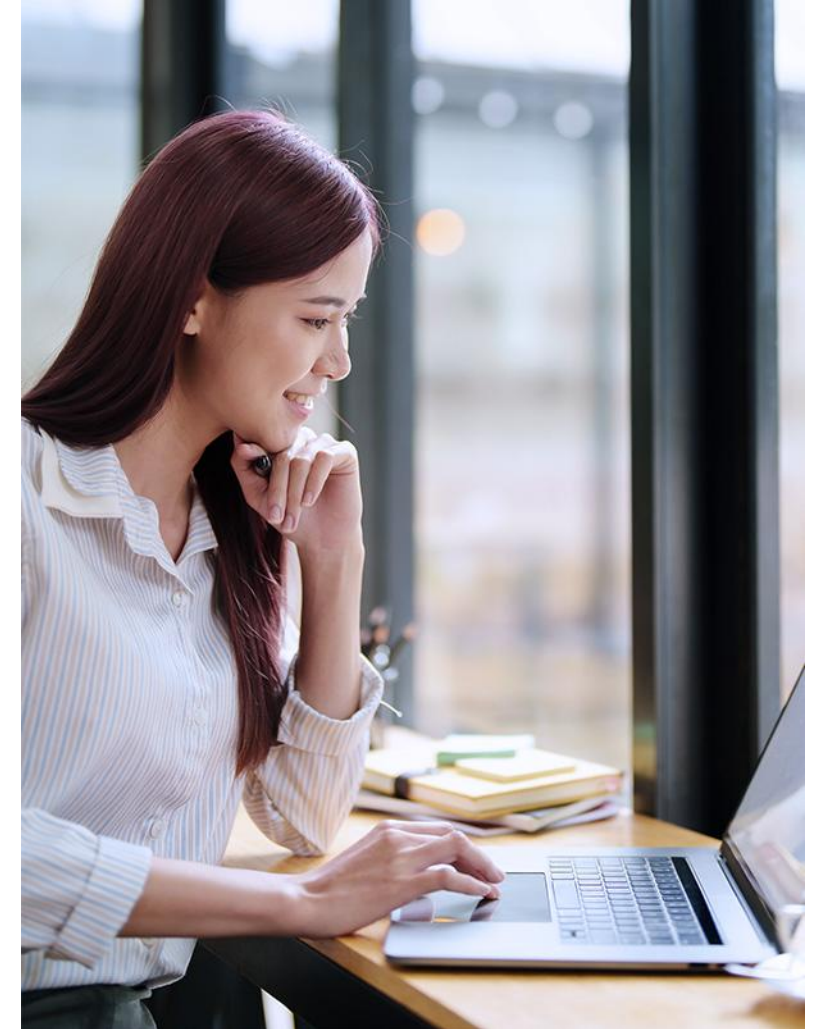
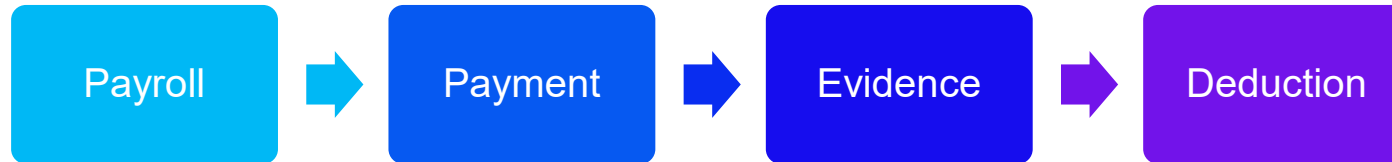
Tax Deduction on Relocation Costs

- A **tax deduction of up to RM5 million** on qualifying cost of relocation to the Automotive Hi-Tech Valley in Tanjong Malim incurred by Malaysian-owned automotive vendors from 1 January 2027 to 31 December 2030.

Stay Compliant: Tax Is Moving into Business Processes

Tax Deduction for Cashless Salary Payments

- Effective YA 2028, tax deduction for salary expenses will be allowed only for payments made through financial institutions or prescribed cashless payment instruments.
- Not applicable for MSMEs.



Stay Compliant: Digital Administration and E-Invoicing

Clear ownership of data, portals and electronic notices is now essential



E-commerce e-Invoicing

Expanded self-billing obligations for platform providers across specified transaction models.



MyTax submissions

Electronic submission of original and revised estimates under the relevant tax regimes.



Electronic notices

E-notices extended across income tax, stamp duty, RPGT, Labuan and petroleum tax.

Stay Compliant: Stronger Enforcement and Governance

Compliance-led revenue collection without higher headline corporate tax rates

Transfer pricing

“Control” clarified to expressly include **direct and indirect shareholding** for transactions between associated persons. w.e.f. YA 2027

Global Minimum Tax

For financial years beginning on or after 1 January 2025, the GMT framework is expanded for **JVs and subsidiaries** and clarifies the use of **local financial accounting standards**. From 1 January 2027, the **filing obligation for CE owned by two or more MNE Groups** shall follow the latter MNE’s financial year.

Information reporting

From 1 January 2027, for EOI / CbCR non-compliance, DGIR may impose an **administrative penalty of RM20,000 to RM100,000** where no prosecution is instituted.

Withholding Tax on distributions by REITs

From 1 January 2027, **30% final tax** applies to non-resident individuals and foreign institutional investors. Final tax for non-resident companies remains 24%.

Build Future-Ready Talent

Tax policy supporting workforce capability and targeted social outcomes

Implementation of BAKAT MADANI training program

Tax deduction for participating companies in implementing BAKAT MADANI training program from 29 June 2026 to 31 December 2030.

Repayment of PTPTN loan

Tax deduction for employers repaying PTPTN loan on behalf of employees, subject to the following conditions:

- The employer shall not impose any payment to the employee as a consideration for the PTPTN loan repaid by the employer;
- The employee must be a full-time employee; and
- The employee must not be the owner of the business or relatives of the employer.

For PTPTN loan repayment made by employer from 1 January 2027 until 31 December 2028.

School Public Contribution Fund

Effective YA 2027, the scope of School Public Contribution Fund (TSUWAS) under subsection 44(6) of the MITA 1967 will be expanded to cover administrative and operating expanses, repairs and maintenance, equipment procurement and implementation of student programs.

Changes to income tax rate for resident individual

↓ 1%

- 19% to 18% for the chargeable income band of RM70,001 to RM100,000
- 25% to 24% for the chargeable income band of RM100,001 to RM150,000

↑ 2%

- 28% to 30% for the chargeable income band of RM1,000,001 to RM2,000,000



Increased or expanded tax reliefs from YA 2027

Individual and dependent relatives relief

Increased to RM12,000

Health and well-being expenses for self, spouse or child - RM10,000

- Expanded to include postnatal care (limited to RM3,000)
- Breastfeeding equipment relief (limited to RM1,000) moves into medical relief and claimable by husband

Expenses for parents or grandparents - RM8,000

Expanded to cover all type of care expenses

Lifestyle expenses - RM2,500

Expanded to include:

- Subscriptions for AI software and applications
- Cost of pet adoption, vaccination and spaying or neutering procedures

Sports relief: RM1,000

Expanded to include sports shoes (limited to RM300).

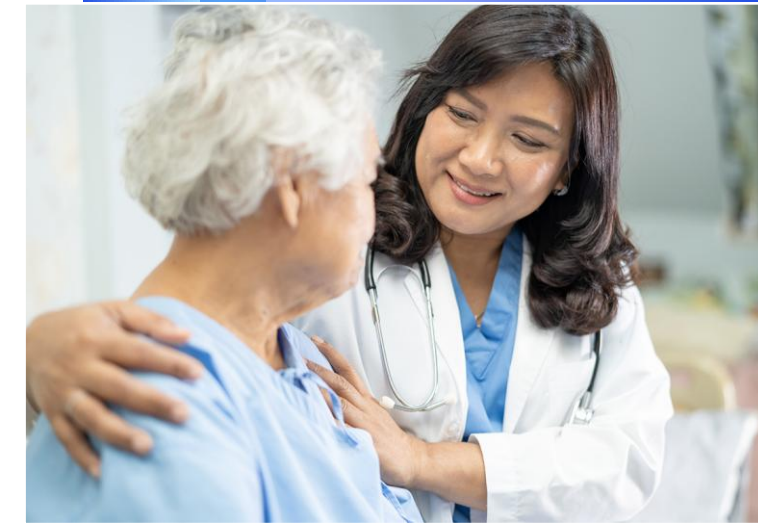
SOCSCO contributions

Mandatory contribution – RM350

- Expanded to include mandatory employee contributions to the Self-Employment SOCSCO (LINDUNG KENDIRI) for 3 mandatory sectors: passenger transport, goods or food transport and hawkers

Voluntary contribution – RM150

- Additional tax relief limited to RM150 on voluntary employee contributions to the Non-Employment Injury Scheme (LINDUNG 24) and 17 non-mandatory sectors under LINDUNG KENDIRI



Revised or extension tax reliefs from YA 2027

Education and skills training fees - RM7,000

- Fees incurred for self to pursue Certificate, Diploma, Bachelor, Masters or Doctor of Philosophy level in any field at a recognised local institution or professional body
- Expenses relating to recognised upskilling or self-enhancement courses in the field of Technical and Vocational Education and Training (TVET) have been expanded to include spouse with claim limit increased from RM2,000 to RM3,000
- Fees incurred limited to RM2,000 for:
 - Courses, training and skills and self-enhancement classes unrelated to employment for self or spouse moves into education and skills training fees ; or
 - Courses, training, classes or tuition in the field of Science, Technology, Engineering and Mathematics (STEM), arts, languages and religion for children

Domestic tourism expenses – RM1,000

Payment of entrance fees for tourist attractions, cultural and arts programmes to be extended from YA 2026 to YA 2027





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