

KPMG

GMS Flash Alert

2026-282 | 5 November 2026

Malaysia – Budget 2027: Key Tax Changes for Individuals

On 9 October 2026, Malaysia's Prime Minister and Minister of Finance presented the fifth budget under the MADANI government ("Budget 2027").[1] It seeks to balance two key priorities of the MADANI government: easing cost-of-living pressures and supporting businesses, while strengthening Malaysia's resilience and growth.

Among the measures announced in Budget 2027 are changes to individual income tax rates and enhancements to personal tax reliefs, which may also be relevant to international assignees who are resident taxpayers in Malaysia. In addition, from 1 January 2027, spouses of expatriates holding a Category I Employment Pass who hold a Dependant Pass would be permitted to work in Malaysia, subject to prescribed conditions. This measure could provide additional employment flexibility for accompanying spouses and dual-career families.

For coverage of last year's budget, see *GMS Flash Alert*, published on 29 October 2025.

WHY THIS MATTERS

Budget 2027 may reduce the Malaysian tax liability of certain resident individuals, including international assignees, through lower tax rates and expanded personal tax reliefs. However, individuals with chargeable income exceeding MYR 1 million may face a higher tax liability.

The tax effect would depend on each assignee's income, available reliefs, and Malaysian tax residency status. The proposed work authorization for certain expatriate spouses may also provide additional flexibility for dual-career families.

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Key Highlights of Budget 2027

Changes to Income Tax Rates for Resident Individuals for Year of Assessment (YA) 2027

Tax band	Band amount (MYR)	Current rate	Current tax (MYR)	Proposed rate	Proposed tax (MYR)	Change (MYR)
First 5,000	5,000	0%	-	0%	-	-
5,001–10,000	5,000	1%	50	1%	50	-
10,001–20,000	10,000	1%	100	1%	100	-
20,001–35,000	15,000	3%	450	3%	450	-
35,001–50,000	15,000	6%	900	6%	900	-
50,001–70,000	20,000	11%	2,200	11%	2,200	-
70,001–100,000	30,000	19%	5,700	18%	5,400	(300)
100,001–150,000	50,000	25%	12,500	24%	12,000	(500)
150,001–400,000	250,000	25%	62,500	25%	62,500	-
400,001–600,000	200,000	26%	52,000	26%	52,000	-
600,001–1,000,000	400,000	28%	112,000	28%	112,000	-
1,000,001–2,000,000	1,000,000	28%	280,000	30%	300,000	20,000
	2,000,000		**528,400**		**547,600**	

Source: KPMG in Malaysia

The 30 percent tax rate applies to chargeable income exceeding MYR 2 million and non-resident individuals' income tax rate is maintained at 30 percent.

Expansion of Scope and Increase in Limits for Reliefs

It is proposed that the limit be increased, or the scope be expanded and reclassified, for the existing reliefs.

Type of Tax Relief	Tax Relief Amount (Current) MYR	Tax Relief Amount (Proposed) MYR	Proposed Changes and Effective Period
Taxpayer relief	Restricted to 9,000	Restricted to 12,000	The eligible tax relief is increased by MYR 3,000. *(Effective from YA 2027)*

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Medical expenses for taxpayers, spouses, or children	10,000	It is expanded to include: • Postnatal care services expenses up to MYR 3,000. • Breastfeeding equipment up to MYR 1,000, with the existing breastfeeding equipment relief to be consolidated into medical expenses relief of MYR 10,000. *(Effective from YA 2027)*
Medical treatment, dental treatment, special needs and carer expenses for parents or grandparents	8,000	The scope is expanded to cover all types of care expenses. *(Effective from YA 2027)*
Expenses for taxpayers, spouses and children on lifestyle: i. Purchase/subscription of books, journals, magazines, printed and electronic daily newspaper and other similar publications; ii. Purchase of personal computer, smartphone or tablet; and iii. Internet subscription.	2,500	It is expanded to include: • Subscriptions for AI software and applications. • Cost of pet adoption, vaccination and spaying or neutering procedures. Fees for upskilling or self-enhancement courses unrelated to employment are excluded from lifestyle relief of MYR 2,500 and are consolidated into education and skills trainings fees capped at MYR 7,000 as stated below. *(Effective from YA 2027)*
Education fees (self) for acquiring technical, vocational, industrial, scientific, technological, law, accounting, Islamic financing qualification at tertiary level or any course of study at post graduate level, including fees for attending any skills enhancement or personal development courses recognized by the Director General of Skills Development under National Skills Development Act 2006 [Act 652] up to MYR 2,000	7,000	It is amended to allow for the following claims: • 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 spouses with claim limit increased from MYR 2,000 to MYR 3,000. • Fees incurred limited to MYR 2,000 for: i. Courses, training and skills and self-enhancement classes unrelated to employment for self or spouse; or ii. Courses, training, classes or tuition in the field of Science, Technology, Engineering and Mathematics

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			(STEM), arts, languages and religion for children. *(Effective from YA 2027)*
Additional expenses on lifestyle for taxpayers, spouses, children or parents: i. Purchase of sports equipment. ii. Rental or entrance fee to any sports facilities. iii. Gym membership or sport training fees. iv. Registration fee to participate in the sports competition.	1,000		The scope is expanded to include purchase of sports shoes up to MYR 300. *(Effective from YA 2027)*
Contribution to Social Security Organisation (SOCSO) Scheme including contribution to Employment Insurance System (EIS)	350	350 for item i	i. It is expanded to include mandatory employee contributions to the Self-Employment SOCSO (*LINDUNG KENDIRI*) for 3 mandatory sectors: passage transport, goods or food transport and hawkers. *(Effective from YA 2027)*
		Additional 150 for item ii	ii. Additional tax relief limited to MYR 150 on voluntary employee contributions to the Non-Employment Injury Scheme (*Lindung 24*) and 17 non-mandatory sectors under *Lindung Kendiri.* *(Effective from YA 2027)*

Source: KPMG in Malaysia

Extension of Period of Domestic Tourism Expenses Tax Relief

It is proposed that the tax relief of MYR 1,000 for domestic tourism expenses be extended to YA 2027, covering payments for entrance fees to tourist attractions as well as cultural and arts programmes.

KPMG INSIGHTS

The proposed tax measures may provide some relief to qualifying Malaysian tax-resident assignees and, if the employer bears the assignee's Malaysian tax under a tax-equalization or similar arrangement, may reduce assignment costs. Conversely, the proposed rate increase for chargeable income exceeding MYR 1 million could increase the tax and assignment costs associated with higher-income assignees.

The proposed work rights for certain expatriate spouses represent a separate mobility-related development. Subject to the prescribed conditions, the measure could provide additional employment flexibility for dual-career families and may influence assignment-location decisions.

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Taxpayers, employers, and global mobility program managers might wish to consider:

- Employers may review the potential effect of the proposed tax-rate changes on Malaysian tax-equalization, tax-protection, and assignment-cost calculations.
- Employers could identify assignees whose chargeable income may fall within the tax bands affected by the proposed rate changes.
- Assignees may review whether they qualify for the expanded or increased personal tax reliefs and retain appropriate supporting documentation for any relief claimed.
- Global mobility teams may monitor assignees' presence in Malaysia because tax residency generally affects access to personal tax reliefs and resident individual tax rates.
- Employers may review how the proposed work rights for certain Dependant Pass holders could affect dual-career support and assignment policies.
- Potentially affected expatriate spouses may verify the prescribed conditions and application procedures after the relevant authorities issue implementation guidance.
- Relief claims may be reviewed during a tax audit. If a taxpayer cannot provide sufficient supporting documentation, the relevant relief could be disallowed and penalties may apply.

Taxpayers and global mobility programme managers could review how the proposed measures may affect their internationally mobile employees and consider any steps necessary to prepare for the changes once enacted. For further guidance, please contact your usual tax adviser or a member of the GMS tax team with KPMG in Malaysia (see the Contacts section).

ENDNOTE:

1 Budget Portal Ministry of Finance, "Budget Speech 2027;" also see the budget details in Malay, "Ucapan Belanjawan 2027."

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