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APPENDIX 1

EXPANSION OF INDIVIDUAL INCOME TAX RELIEF FOR VACCINATION EXPENSES

Current Position

Individual income tax relief of up to RM1,000 is provided for vaccination expenses for self, husband / wife or children covering the following vaccines:

i. Pneumococcal;
ii. Human papillomavirus (HPV);
iii. Influenza;
iv. Rotavirus;
v. Varicella;
vi. Meningococcal;
vii. Tetanus, diphtheria, and acellular pertussis (Tdap); and
viii. Coronavirus Disease 2019 (COVID-19).

Proposal

To further support the national health system's aspiration of prioritising disease prevention over treatment and to promote vaccination as a key preventive healthcare measure, it is proposed types of vaccines eligible for individual income tax relief be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health.

Effective Date

From the year of assessment 2026.

APPENDIX 2

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR CHILDCARE OR KINDERGARTEN FEES

Current Position

Individual income tax relief of up to RM2,000 is given on fees paid for childcare of children aged up to 6 years old at the following eligible childcare premises:

i. Childcare Centres (TASKA) registered with the Department of Social Welfare; or

ii. Kindergartens (TADIKA) registered with the Ministry of Education Malaysia.

A further time bound tax relief of RM1,000 was introduced from the year of assessment 2020 to 2027. Both tax reliefs can be claimed by either parent.

Proposal

To support working parents requiring childcare and after-school transit facilities, it is proposed individual income tax relief for childcare fee be reviewed as follows:

i. The further time bound tax relief of RM1,000 be made permanent and combined with the existing permanent relief of RM2,000, resulting in a total claimable tax relief at RM3,000; and

ii. the eligible childcare premises be expanded to include daily care centres or after-school transit centres registered with Department of Social Welfare for children aged up to 12 years old.

Effective Date

From the year of assessment 2026.

APPENDIX 3

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR EARLY INTERVENTION PROGRAMMES OR REHABILITATION TREATMENT FOR CHILDREN WITH LEARNING DISABILITIES

Current Position

Individual income tax relief of up to RM10,000 is given on various medical treatment expenses for self, husband / wife or children, including expenses for screening for detection, early intervention programmes and continuous rehabilitation treatment for children with learning disabilities aged 18 years and below, limited up to RM6,000.

Proposal

To further support early intervention programmes and rehabilitation treatment for children with learning disabilities, it is proposed individual income tax relief for expenses related to assessment and diagnosis, early intervention programmes and rehabilitation treatment for children aged 18 years and below with learning disabilities such as autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities be increased from RM6,000 to RM10,000.

The total individual income tax relief given on various medical treatment expenses for self, husband / wife or children is maintained of up to RM10,000.

Effective Date

From the year of assessment 2026.

APPENDIX 4

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR PREMIUM OF LIFE, EDUCATION AND MEDICAL INSURANCES

Current Position

Individual income tax relief is provided as follows:

i. life insurance premiums or takaful contributions for self, husband / wife up to RM3,000; and

ii. education and medical insurance premiums for self, husband / wife or children up to RM4,000.

Proposal

To further encourage the uptake of life insurance or takaful contributions for children, it is proposed:

i. the scope of individual income tax relief of up to RM3,000 for life insurance premiums or takaful contributions for self, husband / wife be expanded to include children; and

ii. the eligibility criteria for insured children for the purpose of claiming individual income tax relief on life insurance premiums / takaful contribution, education and medical insurance premiums be determined as follows:

    a. aged below 18 and unmarried;

    b. aged 18 and above, unmarried and pursuing tertiary education; or

    c. no age limit for unmarried disabled children.

Effective Date

From the year of assessment 2026.

APPENDIX 5

EXPANSION OF INDIVIDUAL INCOME TAX RELIEF FOR ENVIRONMENTAL SUSTAINABILITY AND HOME SAFETY-RELATED EXPENDITURE

Current Position

Individual income tax relief of up to RM2,500 is provided for environmental sustainability-related expenses as follows:

i. purchase, rental and installation cost including hire-purchase equipment or subscription fees for electric vehicle charging facilities from the year of assessment 2022 to 2027; and

ii. purchase of household food composting machine, subject to the claim is allowable once within a period of 3 years from the year of assessment 2025 to 2027.

Proposal

To promote sustainable and safe lifestyles through the adoption of green technology and smart safety systems, it is proposed scope of individual income tax relief of up to RM2,500 for expenses on electric vehicle charging facilities and food composting machines be expanded to include:

i. household food waste grinders; and

ii. Closed-Circuit Television (CCTV) for home use.

The tax relief claim for the purchase of food waste grinders and / or CCTV is allowed once within a period of 2 years of assessment.

Effective Date

For the year of assessment 2026 and 2027.

APPENDIX 6

INDIVIDUAL INCOME TAX RELIEF ON ENTRANCE FEES TO TOURIST ATTRACTIONS AND CULTURAL PROGRAMMES

Current Position

To stimulate domestic tourism which was affected by the COVID-19 pandemic, individual income tax relief of up to RM1,000 was given from the year of assessment 2020 to 2022 for the following expenses:

i. accommodation at premises registered with the Ministry of Tourism, Arts and Culture (MOTAC);

ii. entrance fees to tourist attractions; and

iii. purchase of domestic tourism packages through licensed travel agents registered with the MOTAC.

Proposal

To further stimulate domestic tourism activity in conjunction with Visit Malaysia Year 2026, it is proposed individual income tax relief be given up to RM1,000 for expenses on entrance fee as follows:

i. tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks; and

ii. cultural and art programmes.

Effective Date

For the year of assessment 2026.

APPENDIX 7

IMPOSITION OF INCOME TAX ON PROFIT DISTRIBUTIONS RECEIVED BY PARTNERS IN A LIMITED LIABILITY PARTNERSHIP

Current Position

The income tax treatment for Limited Liability Partnerships (LLPs) are as follows:

i. income received by an LLP is taxed at the corporate tax rate at 15%, 17% and 24%; and

ii. profit distributions from LLP received by partners are exempt from tax under Paragraph 12C, Schedule 6, Income Tax Act 1967.

Partners receiving income other than profit distributions from an LLP such as employment income are subject to individual income tax based on progressive rates.

Proposal

To create a more progressive individual income tax structure and subsequently widen the tax base, it is proposed profit distributions from LLP received by partners be taxed as follows:

i. Scope of taxation:

   a. income in the form of profit distributions from LLP received by individual partners; and

   b. individual LLP partners consisting of resident and non-resident individuals.

ii. Threshold amount and formula for determining chargeable income:

   a. income in the form of profit distributions exceeding RM100,000 per year is subject to tax; and

   b. formula for determining chargeable income:

   If partners have income in the form of profit distributions from the LLP and other types of income, the apportionment of the total chargeable income is determined based on the following formula:

$$\frac{\mathbf{A}}{\mathbf{B}} \times \mathbf{C} = \mathbf{D}$$

A	=	Profit distributions received from LLP (deemed as statutory income of partners)
B	=	Aggregate income of partners
C	=	Chargeable income of partners
D	=	Chargeable income from profit distributions from LLP

iii. Tax rate:

2% rate is imposed on chargeable income from profit distributions after taking into account allowable relief and deduction.

iv. Tax payment mechanism:

Partners are required to report the profit distributions received from LLP in the Income Tax Return Form for the basis year of the year of assessment.

Effective Date

From the year of assessment 2026.

APPENDIX 8

REVIEW OF TAX EXEMPTION ON INCOME RECEIVED FROM OUTSIDE MALAYSIA

Current Position

Effective 1 January 2022, income tax is imposed on residents in Malaysia on income derived from foreign sources and received in Malaysia (Foreign-Sourced Income – FSI). However, tax exemptions are given on a periodic basis for the following FSI:

i. dividends from investments and gains from the disposal of capital assets abroad received by resident companies and Limited Liability Partnerships (LLPs) from 1 January 2022 to 31 December 2026;

ii. income received by individual taxpayers excluding partnership businesses, from 1 January 2022 to 31 December 2036; and

iii. income received by unit trusts from 1 January 2024 to 31 December 2026.

Proposal

To encourage Malaysian resident companies to invest abroad and to promote the repatriation of funds into the country, it is proposed:

i. the scope of the tax exemption on dividends from investments and gains from the disposal of capital assets abroad received by resident companies and LLPs be expanded to cooperative societies and trust bodies; and

ii. the tax exemption on dividends from investments and gains from the disposal of capital assets abroad received by resident companies, LLPs, cooperative societies and trust bodies as well as FSI for unit trusts, be given for 4 years.

Effective Date

From 1 January 2027 to 31 December 2030.

APPENDIX 9

REVIEW OF INCOME TAX DEDUCTION FOR COST OF LISTING ON BURSA MALAYSIA

Current Position

Income tax deduction of up to RM1.5 million is given for expenses incurred in listing on Bursa Malaysia's Main Market, Access, Certainty, Efficiency (ACE) Market, and Leading Entrepreneur Accelerator Platform (LEAP) Market by technology-based companies and Micro, Small and Medium Enterprises (MSMEs) as follows:

i. fees to Bursa Malaysia and Securities Commission Malaysia (SC);
ii. professional fees; and
iii. underwriting, placement and brokerage fees.

The tax deduction is given from the year of assessment 2023 to 2025.

Proposals

To further encourage more companies and MSMEs to leverage the Main, ACE or LEAP Markets in raising additional capital through listing on Bursa Malaysia and to support the National Energy Transition Roadmap and National Semiconductor Strategy, it is proposed tax deduction of up to RM1.5 million on listing expenses for technology-based companies and MSMEs be reviewed as follows:

i. tax deduction be expanded to MSMEs in the energy and utilities sectors; and

ii. tax deduction for technology-based companies, as well as MSMEs in the technology, energy and utilities sectors be given for 5 years.

Effective Date

For the year of assessment 2026 to 2030.

APPENDIX 10

EXTENSION OF INCOME TAX EXEMPTION FOR SOCIAL ENTERPRISES

Current Position

Income tax exemption is given on all income of Social Enterprises (SE) accredited by the Ministry of Entrepreneur Development and Cooperatives up to 3 consecutive years of assessment. The exemption is for applications received by the Ministry of Finance from 1 January 2022 to 31 December 2025.

Proposal

To support the development of social entrepreneurship, create job opportunities and reduce dependency on government assistance, it is proposed application period for income tax exemption of SE be extended for 3 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2026 to 31 December 2028.

APPENDIX 11

REVIEW OF INCOME TAX EXEMPTION ON SUSTAINABLE AND RESPONSIBLE INVESTMENT SUKUK AND BOND GRANT SCHEME

Current Position

Issuers of Green Sustainable and Responsible Investment (SRI) Sukuk are eligible to apply for Green SRI Sukuk grant provided by the Securities Commission Malaysia (SC) through the Capital Market Development Fund (CMDF). This grant is intended to finance 90% of the external review expenses incurred in issuing the sukuk, subject to a maximum amount of RM300,000.

Income tax exemption is given on grants received from the SC by Green SRI Sukuk issuers, from 1 January 2018 to 31 December 2025.

The Green SRI Sukuk Grant has been rebranded as SRI Sukuk and Bond Grant Scheme which covers the issuance of financial instruments approved by SC as follows:

i. SRI Sukuk;
ii. SRI-Linked Sukuk;
iii. bonds that conform to the ASEAN Green, Social and Sustainability Bond Standards; and
iv. bonds that conform to the ASEAN Sustainability-Linked Bond Standards.

Proposal

To further encourage the issuance of SRI sukuk and bonds that conform to green, social and sustainability standards in Malaysia, it is proposed income tax exemption on the SRI Sukuk and Bond Grant Scheme received by sukuk and bond issuers, from the SC, be reviewed as follows:

i. the grant allocation for external review expenses be increased from 90% to 100%, limited to a maximum grant amount of RM300,000;

ii. financial instruments under the SRI Sukuk and Bond Grant Scheme be expanded to sukuk and bonds that conform to the ASEAN Taxonomy for Sustainable Finance; and

iii. the income tax exemption be extended for 3 years.

Effective Date

For SRI Sukuk and Bond Grant Scheme applications received by SC from 1 January 2026 to 31 December 2028.

APPENDIX 12

INCOME TAX DEDUCTION ON CONTRIBUTIONS FOR INTEGRITY AND ANTI-CORRUPTION PROGRAMMES / ACTIVITIES

Current Status

Effective 2021, any person with business income is eligible for tax deduction under Section 34(6)(h) Income Tax Act 1967 on expenses incurred in organising integrity and anti-corruption programmes, subject to the following conditions:

i. organised in collaboration with the Malaysian Anti-Corruption Commission (MACC);

ii. benefits the rakyat and apolitical;

iii. not profit-driven and does not impose participation fees; and

iv. not part of the company's core activities and undertaken voluntarily.

The amount of tax deduction allowable from gross business income is equivalent to the amount of expenditure incurred.

Proposal

In line with the implementation of the National Anti-Corruption Strategy (NACS) 2024 - 2028 which aims to foster anti-corruption culture within organisations and encourage wider public participation in combating corruption, it is proposed:

i. anti-corruption education programmes organised by Civil Society Organisations (CSO) be approved as national interest projects under Section 44(11C) Income Tax Act 1967, subject to the programmes / activities:

   a. recognised by the MACC;

   b. benefits the rakyat and does not involve sensitive issues such as politics, race and religion;

   c. not profit-driven and does not collect participation fees; and

   d. implemented between 1 January 2026 and 31 December 2028.

ii. cash donations to the approved anti-corruption education programmes organised by CSOs will be eligible for income tax deduction equivalent to the amount contributed, up to 10% of aggregate income.

Effective Date

For applications received by Ministry of Finance from 1 January 2026 to 31 December 2028.

APPENDIX 13

TAX TREATMENT FOR PUBLIC UNIVERSITY TEACHING HOSPITALS ENDOWMENT FUNDS

Current Position

Endowment funds established by public universities are eligible for tax treatment under Section 44(11D) Income Tax Act (ITA) 1967. The eligible public universities are as follows:

i. public universities established under the Universities and University Colleges Act 1971; and
ii. Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976.

The establishment of public university endowment funds is subject to the following conditions:

i. contributions must be in the form of cash;
ii. the total contribution sum shall be preserved; and
iii. only the income or returns generated from the fund can be expended in line with the fund's objectives.

The tax treatment accorded to endowment funds is as follows:

i. donors are eligible for tax deduction equivalent to the amount of the contribution, subject to a maximum of 10% of aggregate income; and

ii. contributions received including the income generated from the endowment fund are exempt from income tax.

Proposal

To ensure financial sustainability of public university teaching hospitals in providing quality healthcare services, it is proposed public university teaching hospitals be allowed to establish endowment funds in which the cash contributions to the endowment funds be given tax deduction under Section 44(11D) ITA 1967, provided that the endowment funds are governed and managed solely by the public university teaching hospitals, in line with the prescribed guidelines.

Effective Date

From the year of assessment 2026.

APPENDIX 14

REVIEW OF STAMP DUTY ON PROPERTY OWNERSHIP BY NON-CITIZENS

Current Position

Stamp duty on the instruments of transfer of real property executed by non-citizen individuals (excluding permanent residents of Malaysia) and foreign companies is subject to a fixed rate of 4% under Item 32(aa), First Schedule, Stamp Act 1949.

Proposal

To further strengthen the stamp duty structure and as a real property price control mechanism, it is proposed fixed stamp duty rate on the instruments of transfer of residential homes executed by non-citizen individuals (except Malaysian permanent resident) and foreign companies be increased from 4% to 8%.

Effective Date

For instruments of transfer of residential homes executed from 1 January 2026.

APPENDIX 15

EXTENSION OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL HOME

Current Position

Stamp duty is fully exempt on instrument of transfer and loan agreement for the purchase of first residential home priced up to RM500,000 by Malaysian citizens.

This exemption applies to sale and purchase agreements executed from 1 January 2021 to 31 December 2025.

Proposal

To continue supporting the ownership of first residential home by Malaysian citizens, particularly from low and middle-income groups, it is proposed 100% stamp duty exemption on instruments of transfer and loan agreements for the purchase of first residential home priced up to RM500,000 be extended for 2 years.

Effective Date

For sale and purchase agreements executed from 1 January 2026 to 31 December 2027.

APPENDIX 16

EXTENSION OF STAMP DUTY EXEMPTION FOR PERLINDUNGAN TENANG PRODUCTS

Current Position

100% stamp duty exemption is given on insurance policies and takaful certificates for Perlindungan Tenang products which cover family, life and general insurance / takaful with premiums or contributions not exceeding RM150.

This exemption applies to insurance policies and takaful certificates issued from 1 January 2019 to 31 December 2025.

Proposal

To further encourage more individuals from low and middle-income groups to obtain protection through affordable insurance and takaful products, it is proposed 100% stamp duty exemption on insurance policies and takaful certificates for all Perlindungan Tenang products be extended for 3 years.

Effective Date

For Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028.

APPENDIX 17

EXTENSION OF STAMP DUTY EXEMPTION ON INSURANCE POLICIES OR TAKAFUL CERTIFICATES WITH LOW ANNUAL PREMIUM / CONTRIBUTION

Current Position

100% stamp duty exemption is given on insurance policies or takaful certificates with low annual premium or contribution for:

i. the purchase of insurance policy or takaful certificate with an annual premium or contribution not exceeding RM150 by an individual; and

ii. the purchase of an insurance policy or takaful certificate with an annual premium or contribution not exceeding RM250 by Micro, Small and Medium Enterprises (MSMEs).

Types of insurance policies or takaful certificates exempted from stamp duty include insurance or takaful for liability, fire, travel, engineering, personal accident and business interruption due to fire.

The exemption applies to insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025.

Proposal

To encourage more individuals and MSMEs to obtain basic insurance or takaful protection against risks such as fire, travel and personal accidents, it is proposed that 100% stamp duty exemption on insurance policies or takaful certificates with low annual premium or contribution be extended for 3 years.

Effective Date

For insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028.

APPENDIX 18

EXEMPTION OF STAMP DUTY ON CONTRACT NOTES FOR BUY-SIDE TRANSACTION OF STRUCTURED WARRANTS

Current Position

Structured warrants are investment instruments issued by eligible financial institutions and listed on Bursa Malaysia, providing investors with the opportunity to diversify investment portfolios and potentially generate optimal returns with small capital. Structured warrants are issued based on underlying assets such as shares, Exchange-Traded Funds (ETFs), or indices. Structured warrants provide the holders' rights to buy or sell the underlying assets at a predetermined price within a specified period.

Contract notes for the sale and purchase transactions of structured warrants are subjected to stamp duty under Item 31(b), First Schedule, Stamp Act 1949, at a rate of 0.1%, with a maximum stamp duty of RM200 imposed on each contract note.

Proposal

To further promote the growth of the capital market and enhance Malaysia's competitiveness at the regional level, it is proposed stamp duty exemption on the contract notes for buy-side structured warrant transaction be given for 3 years.

Effective Date

For buy-side structured warrant transactions executed from 1 January 2026 to 31 December 2028.

APPENDIX 19

EXTENSION OF STAMP DUTY EXEMPTION ON CONTRACT NOTES FOR EXCHANGE TRADED FUNDS LISTED ON BURSA MALAYSIA

Current Position

Stamp duty exemption is given on contract notes for Exchange Traded Funds (ETFs) transactions executed from 1 January 2021 to 31 December 2025.

Proposal

To further enhance the competitiveness of Malaysia's capital market as well as to encourage alternative investments that offer greater cost efficiency and transparency, it is proposed stamp duty exemption on contract notes for ETFs transactions be extended for 3 years.

Effective Date

For ETFs transactions from 1 January 2026 to 31 December 2028.

APPENDIX 20

REVIEW OF WAGE THRESHOLD FOR STAMP DUTY EXEMPTION ON EMPLOYMENT CONTRACT

Current Position

Employment contracts are subject to stamp duty of RM10 under Item 4, First Schedule, Stamp Act 1949. However, employment contracts involving monthly wage not exceeding RM300 per month are exempt from stamp duty.

Proposal

To reduce the cost of doing business involving employment contracts, it is proposed wage threshold for stamp duty exemption on employment contracts be increased from RM300 to RM3,000.

Effective Date

For employment contracts executed from 1 January 2026.

APPENDIX 21

ACCELERATED CAPITAL ALLOWANCE ON CAPITAL EXPENDITURE FOR PLANT, MACHINERY AND ICT EQUIPMENT

Current Position

Companies are allowed to claim capital allowance on qualifying capital expenditure incurred for business purposes under Schedule 3, Income Tax Act 1967 as follows:

Types of Assets	Initial Allowance (%)	Annual Allowance (%)
Motor Vehicle, Heavy Machinery	20	20
Plant and General Machinery	20	14
Others	20	10
ICT Equipment and Computer Software	40	20

Proposal

To further promote domestic direct investment and accelerate the digital technology adoption among businesses, it is proposed qualifying capital expenditures be given Accelerated Capital Allowance (ACA) which can be fully claimed by companies within 2 years as follows:

No.	Qualifying Expenditure	Capital Allowance Rate
1.	Procurement of Heavy Machinery from local manufacturers	Initial Allowance: 20% Annual Allowance: 40%
2.	Procurement of plant and general machinery acquired from local manufacturers	
3.	Purchase of ICT equipment and computer software	
4.	Consultation, licensing and incidental fees related to customised computer software development	

Effective Date

For qualifying capital expenditure incurred from 11 October 2025 to 31 December 2026.

APPENDIX 22

TAX INCENTIVE FOR FOOD SECURITY PROJECTS

Current Position

In Budget 2023, tax incentive for food production projects was given as follows:

Eligible Companies	Tax Incentive
Companies investing in subsidiary companies engaging in new food production projects.	Tax deduction equivalent to the investment amount in the basis year when the investment was made.
Companies engaging in food production projects.	i. New projects are given 100% income tax exemption on statutory income for 10 years of assessment; or ii. Expansion projects by existing companies are given 100% income tax exemption on statutory income for 5 years of assessment.

The tax incentive is effective for applications received by Ministry of Agriculture and Food Security (KPKM) from 1 January 2023 to 31 December 2025.

Proposal

The Tax Incentive for Food Production Projects be rebranded as the Tax Incentive for Food Security Projects. To ensure national food security remains sustainable through greater participation of industry players in the agriculture sector, it is proposed tax incentive for companies implementing food security projects be provided as follows:

Eligible Companies	Tax Incentive
Companies engaging in new projects.	i. 100% income tax exemption on statutory income for 10 years of assessment; and ii. The tax exemption be given on income generated from sales in domestic markets.

Eligible Companies	Tax Incentive
Existing companies undertaking expansion projects.	i. 100% income tax exemption on statutory income for 5 years of assessment; and ii. The tax exemption be given on income generated from sales in domestic markets.

The application period for tax incentives be provided for 5 years.

Effective Date

For applications received by KPKM from 1 January 2026 to 31 December 2030.

APPENDIX 23

TAX INCENTIVE FOR AUTOMATION IN THE AGRICULTURE SECTOR

Current Position

Tax incentives for livestock farming activities through the closed-house system are as follows:

i. Tax Incentive for Chicken Rearing in Closed-House System

   Accelerated Capital Allowance (ACA) of 100% on the qualifying capital expenditure and income tax exemption of 100% on the qualifying capital expenditure are given for closed-house chicken rearing system, for applications received by the Ministry of Agriculture and Food Security (KPKM) from 1 January 2023 to 31 December 2025; and

ii. Tax Incentive for Automation in the Agriculture Sector

   ACA of 100% on the first RM10 million of the qualifying capital expenditure and income tax exemption equivalent to 100% on the qualifying capital expenditure are given for cropping, livestock farming, apiculture, aquaculture and captured fisheries activities, for applications received by KPKM from 1 January 2023 to 31 December 2027.

Proposal

To ensure the continuity of tax incentive for rearing chicken using the closed-house system and to streamline tax incentives within the livestock farming sector, it is proposed Tax Incentive for Automation in the Agriculture Sector be expanded to include rearing chicken using the closed-house system.

Effective Date

For applications received by KPKM from 1 January 2026 to 31 December 2027.

APPENDIX 24

TAX INCENTIVE FOR TRAINING IN ARTIFICIAL INTELLIGENCE

Current Position

Expenses incurred for employees training related directly to the company's business activities are eligible for tax deduction under Section 33 Income Tax Act 1967.

Companies are also eligible to claim further tax deduction for the expenses incurred on approved training programmes in manufacturing and non-manufacturing activities including the hotel and tourism industries. Companies contributing to Human Resources Development Fund (HRDF) are not eligible for the further tax deduction.

Proposal

To encourage the adoption of artificial intelligence (AI) in business operations, it is proposed expenses incurred by MSMEs, including those contributing to HRDF, on AI training recognised by MyMahir National AI Council for Industry (NAICI), be given further tax deduction of 50% once in 2 years.

Effective Date

For applications received by TalentCorp from 1 January 2026 to 31 December 2027.

APPENDIX 25

EXTENSION OF TAX INCENTIVE FOR COMMERCIALISATION OF RESEARCH & DEVELOPMENT FINDINGS

Current Position

In Budget 2013, tax deduction was given to companies investing in subsidiary companies that commercialise non-resource-based research and development (R&D) findings by public research institutions and public institutes of higher learning for 5 years from 29 September 2012 to 31 December 2017.

The tax incentive was reintroduced in Budget 2021 and extended to commercialisation of R&D findings by private higher education institutions for 5 years from 7 November 2020 to 31 December 2025.

Proposal

To elevate productivity and drive national competitiveness, it is proposed tax deduction for companies investing in subsidiary companies that commercialise non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher education institutions be extended for 5 years.

Effective Date

For applications received by the Malaysia Investment Development Authority (MIDA) from 1 January 2026 to 31 December 2030.

APPENDIX 26

TAX INCENTIVE FOR TOUR OPERATORS

Current Position

Companies operating tourism packages were given 100% tax exemption on statutory income derived from the following tourism business activities:

i. domestic tourism packages participated by at least 1,500 local tourists annually; and

ii. inbound tourism packages participated by at least 750 foreign tourists annually.

This incentive was available from the year of assessment 2007 to 2020.

To minimise the impact of COVID-19 to tourism sector, the incentive was reviewed and extended as follows:

i. the threshold for domestic tourism packages was reduced to 200 local tourists per year, with no minimum requirement for foreign tourists for inbound tourism packages; and

ii. exemption given were extended to year of assessment 2022.

Proposal

To further encourage tourism operator for Visit Malaysia Year 2026, it is proposed tour operators be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:

i. the operator must bring in at least 1,000 foreign tourists annually; and

ii. the incremental income refers to the difference between the qualifying income derived from the business of operating inbound tourism packages to Malaysia during the basis period and the income from the preceding basis period.

Effective Date

For the year of assessment 2026 and 2027.

APPENDIX 27

TAX DEDUCTION ON COSTS OF RENOVATION AND REFURBISHMENT FOR TOURISM PROJECTS

Current Position

Renovation and refurbishment expenses incurred for business premises are not allowable for tax deductions under Section 33(1) Income Tax Act 1967.

Proposal

To encourage tourism project operators to upgrade and refurbish their business premises to enhance the quality of domestic tourism product in line with Visit Malaysia Year 2026, it is proposed tourism project operators registered with Ministry of Tourism, Arts and Culture (MOTAC) undertaking renovation and refurbishment works for business purposes be allowed a tax deduction on qualifying expenditure, up to a maximum of RM500,000.

Effective Date

For qualifying expenditure incurred from 11 October 2025 to 31 December 2027.

APPENDIX 28

TAX INCENTIVE FOR ORGANISING INTERNATIONAL INCENTIVE TRIPS, CONFERENCES AND TRADE EXHIBITIONS

Current Position

Companies promoting and organising conferences are given tax incentives as follows:

Entity	Tax Incentive
Companies, associations, or organisations whose main activity is promoting and organising conferences	i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants annually. ii. Effective from the year of assessment 1997.
Entities whose main activity is other than promoting and organising conferences	i. 100% income tax exemption on statutory income, subject to bringing in at least 500 foreign participants annually. ii. Effective from the year of assessment 2020 to 2025.

Proposal

To promote international incentive trips, conferences and trade exhibitions (MICE) in conjunction with Visit Malaysia Year 2026, it is proposed tax incentive be reviewed as follows:

i. 100% income tax exemption on statutory income for organisers verified by Ministry of Tourism, Arts and Culture (MOTAC), subject to bringing in:

   a. at least 1,500 foreign participants for incentive trips annually; or

   b. at least 2,000 foreign participants for conferences annually; or

   c. at least 3,000 foreign participants for trade exhibitions annually.

ii. the incentive be extended for 2 years.

Effective Date

For the year of assessment 2026 and 2027.

APPENDIX 29

TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES

Current Position

50% tax exemption on statutory income is given to organisers of approved activities as follows:

i. arts and cultural activities approved by the Ministry of Tourism, Arts and Culture (MOTAC) and held at Istana Budaya, National Art Gallery or Dewan Filharmonik Petronas; and

ii. international sports and recreational competitions approved by the Ministry of Youth and Sports (KBS).

This tax incentive has been effective from the year of assessment 2020 to 2025.

Proposal

To further encourage the organising of arts, cultural, tourism, international sports and recreational activities in conjunction with Visit Malaysia Year 2026, it is proposed tax incentive be reviewed as follows:

i. the scope be expanded to include tourism activities approved by MOTAC (excluding concert performances);

ii. the venue for arts, cultural and tourism activities be broadened to include any location in Malaysia approved by MOTAC;

iii. international sports and recreational competitions approved by KBS; and

iv. the incentive be extended for 2 years.

Effective Date

For the year of assessment 2026 and 2027.

APPENDIX 30

REVIEW OF TAX INCENTIVE FOR VENTURE CAPITAL

Current Position

Tax incentives for venture capital are given as follows:

i. Venture Capital Company (VCC)

   a. Exemption of income tax on statutory income derived from all sources of income except interest income from savings or fixed deposits and profits from Shariah-compliant deposits; and

   b. The exemption is given for 5 years of assessment from the date of the first certification by the Securities Commission Malaysia (SC) for investments made in a venture company (VC). VCC is required to invest at least 50% of funds in seed capital, start-up and early-stage financing. VCC and VC must not be related companies at the time the investment is made.

   VCC must be incorporated under the Companies Act 2016.

ii. Venture Capital Management Company (VCMC)

   Exemption of income tax on the share of profits, management fees, and performance fees received from VCC.

iii. Investment in VCC

   A company or an individual with business income that invest in a VCC fund is given a tax deduction equivalent to the amount of investment made in the VCC, subject to a maximum of RM20 million.

iv. Investment in VC

   A company or an individual with business income that invest in a VC is given a tax deduction equivalent to the amount of investment made in the VC.

The VCC must be registered with SC no later than 31 December 2023, while the first certification by SC must be obtained no later than 31 December 2026.

Proposal

To further encourage investment by VCC, the tax incentives for venture capital are reviewed as follows:

i. Venture Capital Company

a. A corporate tax rate of 5% is imposed on all income of the VCC, except for interest / profit income derived from savings, fixed deposits, or deposits. The VCC is required to invest a minimum of 20% of its funds in local venture companies; and

b. The tax incentive is given for 10 years or for the remaining life of the fund starting from the year the VCC obtains its first certification from SC. The first certification by SC must be obtained no later than 31 December 2035.

This tax incentive is expanded to entities incorporated under the Limited Liability Partnerships Act 2012 and the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which elect to be taxed under the Income Tax Act 1967.

ii. Venture Capital Management Company (VCMC)

A tax rate of 10% is imposed on income derived from the share of profits, management fees and performance fees from the year of assessment 2025 to 2035.

iii. Individual Shareholders of VCC

Exemption of income tax on dividends paid, credited or distributed to individual shareholders at the first level from the year of assessment 2025 to 2035.

Effective Date

From the year of assessment 2025.

APPENDIX 31

REVIEW OF TAX INCENTIVE FOR SCHOLARSHIPS

Current Position

Companies providing scholarships to students pursuing technical and vocational skills training, as well as higher education at the Diploma, Bachelors, Masters and Doctorate levels are eligible for double tax deduction subject to the student's criteria as follows:

i. Malaysian citizen;
ii. pursuing full-time studies;
iii. no source of income; and
iv. the monthly income of parents / guardians does not exceed RM10,000.

Proposal

In enhancing access to more students to pursue technical and vocational skills training as well as higher education, the tax incentive for private companies providing scholarships be reviewed as follows:

i. double tax deduction be given to companies providing scholarships to students pursuing Sijil Teknik Vokasional / Diploma / Bachelor's Degree;

ii. the scope of the double tax deduction is expanded to include qualified professional certification courses;

iii. the household income requirement for the student's parents / guardians is increased to, not exceeding RM15,000 per month; and

iv. this incentive is extended for 5 years.

Effective Period

From the year of assessment 2026 to 2030.

APPENDIX 32

TAX INCENTIVE FOR TRAINING OF CARE WORKER

Current Position

A double tax deduction is given on expenses incurred by companies to sponsor training for persons with disabilities (OKU) registered with the Ministry of Women, Family and Community Development (KPWKM) and are not employees of the company.

Proposal

To fulfil the need for quality care services for the elderly, children with special needs and OKU, it is proposed scope of double tax deduction for companies sponsoring training for OKU, be expanded to include sponsorship of care workers to undergo training programmes in institutions recognised by KPWKM. The sponsored care workers are not employees of the company.

Effective Date

For the year of assessment 2026 and 2027.

APPENDIX 33

REVIEW OF TAX INCENTIVE FOR EMPLOYING VULNERABLE PERSONS

Current Position

In Budget 2019, further tax deduction was given to employers that hire ex-convicts. The scope of this tax incentive was expanded to include former drug dependents as well as convicts categorised as Parolees and Supervised Persons. This tax deduction was further enhanced in Budget 2023 to cover employment costs paid to current and former residents of:

i. Henry Gurney School under the Malaysian Prison Department; and

ii. cure and care rehabilitation centres as well as non-governmental care centres registered under the Department of Social Welfare.

The tax deduction is given until the year of assessment 2025.

Proposal

In line with the Sustainable Development Goals (SDG) 2030 that aim to provide equal employment opportunities without neglecting any persons and to support vulnerable persons in generating stable income for their livelihood, it is proposed tax incentive be reviewed as follows:

i. extended to Prisoners Released on Licence under Prisons Act 1995 as well as drug / substance dependants and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependants and Misusers (Treatment and Rehabilitation) Act 1983; and

ii. this incentive be given for 5 years.

Effective Date

From the year of assessment 2026 to 2030.

APPENDIX 34

EXTENSION OF TAX INCENTIVE FOR EMPLOYING SENIOR CITIZENS

Current Position

In Budget 2019, further tax deduction was given to employers hiring senior citizens aged 60 years and above, subject to the following conditions:

i. the employee is hired on a full-time basis;
ii. the employee’s monthly remuneration does not exceed RM4,000;
iii. the employer and employee are not the same individual; and
iv. the employee has no familial relationship with the employer.

This tax incentive is given until the year of assessment 2025.

Proposal

To ensure that senior citizens remain active, achieve financial independence as well as continue contributing to the nation’s economic development, it is proposed further tax deduction for employers hiring senior citizens be extended for 5 years.

Effective Date

For the year of assessment 2026 to 2030.

APPENDIX 35

ACCELERATED CAPITAL ALLOWANCE ON THE COST OF PURCHASING SPEED LIMITATION DEVICES FOR HEAVY VEHICLES

Current Position

The Government has announced the compulsory use of Speed Limitation Devices (SLD) on commercial vehicles as part of efforts to enhance road safety and reduce the risk of fatalities involving heavy vehicles. SLD is a device installed in vehicles to limit its maximum speed, which is controlled through the Engine Control Unit (ECU) or other related onboard systems.

The enforcement of SLD installation on heavy vehicles will be implemented in phases as follows:

Phase 1: Verification of SLD functionality for heavy vehicles manufactured on or after 1 January 2015 has been enforced from 1 October 2025.

Phase 2: Activation of the SLD within the ECU for heavy vehicles manufactured before 1 January 2015 will be compulsory from 1 January 2026.

Phase 3: Retrofit installation of SLD devices for heavy vehicles manufactured before 1 January 2015 that are not equipped with an SLD system will be mandated from 1 July 2026.

The purchase of SLD devices is eligible for a Capital Allowance (CA) under Schedule 3, Income Tax Act 1967, classified under the Other Assets category, with an Initial Allowance of 20% and an Annual Allowance of 10%.

Proposal

To support efforts in reducing road accidents through the installation of SLD devices on heavy vehicles, it is proposed Accelerated Capital Allowance (ACA) be given on the expenditure for purchasing SLD devices, up to RM4,000 per unit, subject to the following conditions:

i. the SLD retrofit installation must be certified by a Verification Body recognised by the Road Transport Department.

ii. the installation of SLD devices applies to heavy vehicles manufactured prior to 1 January 2015 that are not equipped with such devices and is limited to the following categories:

a. goods vehicles with a Gross Vehicle Weight (GVW) exceeding 3,500 kg; and

b. passenger vehicles with a GVW exceeding 5,000 kg and designed to carry more than 8 passengers.

iii. ACA is not claimable for SLD replacement.

The ACA is fully claimable within one year, consisting of a 20% Initial Allowance and an 80% Annual Allowance.

Effective Date

This incentive applies to SLD installations carried out from 1 January 2026 to 31 December 2026.

APPENDIX 36

REVIEW OF EXCISE DUTY RATE ON CIGARETTE

Current Position

Cigarette is subject to import duty, excise duty and sales tax as follows:

Tariff Code	Import Duty	Excise Duty	Sales Tax
2402.20.2000	20 sen per stick @ RM4 per packet	40 sen per stick @ RM8 per packet	10%
2402.20.9000			
2402.90.2000			

Note: One packet contains 20 cigarette sticks.

Proposal

In line with Malaysia’s commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on cigarette be increased in phases, starting with a rise of 2 sen per stick or 40 sen per packet.

Effective Date

From 1 November 2025.

APPENDIX 37

REVIEW OF EXCISE DUTY RATE ON CIGARS, CHEROOTS AND CIGARILLOS

Current Position

Cigars, cheroots dan cigarillos are subject to import duty, excise duty and sales tax as follows:

Tariff Code	Import Duty	Excise Duty	Sales Tax
2402.10.0000	RM200 per kilogramme	RM400 per kilogramme	10%
2402.90.1000			

Proposal

In line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on cigars, cheroots and cigarillos be increased in phases, starting with a rise of RM40 per kilogramme.

Effective Date

From 1 November 2025.

APPENDIX 38

REVIEW OF EXCISE DUTY RATE ON HEATED TOBACCO PRODUCTS

Current Position

Heated tobacco products are subject to import duty, excise duty and sales tax as follows:

Tariff Code	Import Duty	Excise Duty	Sales Tax
2404.11.0000	5% + RM50 per kilogramme	RM778 per kilogramme of tobacco content	10%

Proposal

In line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on heated tobacco products be increased in phases, starting with a rise of RM20 per kilogramme of tobacco content.

Effective Date

From 1 November 2025.

APPENDIX 39

REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY PRODUCTS

Current Position

Import duty and sales tax rate for Nicotine Replacement Therapy (NRT) products are as follows:

Products	Tariff Code	Import Duty	Sales Tax
Nicotine Gum	2404.91.1000	15%	5%
Nicotine Patch	2404.92.1000	0%	10%
Nicotine Mist	2404.91.9000	15%	5%
Nicotine Lozenges			

Nicotine gum and nicotine patch are exempted from import duty and sales tax effective from 1 April 2023 to 31 March 2026.

Proposal

To further support the implementation of the mQuit programme and the Lung Health Initiative by the Ministry of Health as well as in line with Malaysia's commitment as a party to World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) to provide smoking cessation treatment, it is proposed:

i. import duty and sales tax exemption on nicotine gum and nicotine patch be extended to 31 December 2027; and

ii. the scope of exemption for NRT products be expanded to include nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.

Effective Date

For applications received by the Ministry of Finance from 11 October 2025 to 31 December 2027.

APPENDIX 40

REVIEW OF EXCISE DUTY RATE ON ALCOHOLIC BEVERAGE PRODUCTS

Current Position

Alcoholic beverage products are subject to excise duty at the following rates:

Product Description	Tariff Code	Excise Duty (RM) (per 100% vol. per liter)
Beer	22.03	175.00
Sparkling wine	2204.10.000	450.00
Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka	2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20, 2208.30, 2208.40.0000, 2208.50.0000, 2208.60.0000	150.00
Cider and perry, sake, shandy, wine (vegetable & fruit juice), other rice wine, liqueurs and cordials, arrack or pineapple spirit	2206.00.1000, 2206.00.2000, 2206.00.4100, 2206.00.4900, 2206.00.6000, 2206.00.9100, 2208.70.1000, 2208.70.9000, 2208.90.5000, 2208.90.6000, 2208.90.9100, 2208.90.9900	60.00
Samsu (including medicated samsu)	2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	60.00
Coconut palm toddy, mead, bitters	2206.00.3100, 2206.00.3900, 2206.00.5000, 2206.00.9900, 2208.90.7000, 2208.90.8000	40.00
Undenatured ethyl alcohol	2207.10.0000	22.50 and 15%
Ethyl alcohol and other spirits	2207.20	1.10 and 15%

Proposal

To reduce access to alcoholic beverages and promote a healthier lifestyle, it is proposed excise duty rate on alcoholic beverage products be increased by 10%.

Effective Date

From 1 November 2025.