



# MOORE Advent

## TAX FLASH

NOVEMBER 2025 (SPECIAL EDITION)

### *2026 Budget Highlights*

With the release of the Finance Bill 2025 and Measures for the Collection, Administration and Enforcement of Tax Bill 2025 on 18<sup>th</sup> November 2025, we provide you with the updates on the additional amendments contained therein besides those key tax proposals of the Budget 2026 as announced by the honourable Prime Minister and Finance Minister Dato' Seri Anwar Ibrahim on 10<sup>th</sup> October 2025. The updated key amendments are outlined broadly into the following categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Capital Gains Tax
- D. Investment Incentives
- E. Real Property Gains Tax
- F. Stamp Duty
- G. Sales and Service and Indirect Taxes
- H. Labuan
- I. Others

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## Legend

ACA	=	Accelerated Capital Allowance
DGIR	=	Director General of Inland Revenue
DGRMC	=	Director General of Royal Malaysian Customs
CGT	=	Capital Gains Tax
EPF	=	Employees Provident Fund
ESG	=	Environmental, Social and Governance
EV	=	Electric Vehicle
GLC	=	Government-Linked Companies
GLIC	=	Government-Linked Investment Companies
HRD Corp	=	Human Resources Development Corporation
IBA	=	Industrial Building Allowance
ICT	=	Information and Communication Technology
IRB	=	Inland Revenue Board
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
LBATA 1990	=	Labuan Business Activity Tax Act 1990
LLP	=	Limited Liability Partnership
MIDA	=	Malaysian Investment Development Authority
MITI	=	Ministry of Investment, Trade and Industry
MOF	=	Ministry of Finance
MOTEC	=	Ministry of Tourism, Arts and Culture
MSME	=	Micro, Small and Medium Enterprise
PIA 1986	=	Promotion of Investments Act 1986
PS	=	Pioneer Status
PR	=	Public Ruling
RA	=	Reinvestment Allowance

R&D	=	Research and development
REITs	=	Real Estate Investment Trusts
RMCD	=	Royal Malaysian Customs Department
RPGT	=	Real Property Gains Tax
RPGT Act 1976	=	Real Property Gains Tax Act 1976
SA 1949	=	Stamp Act 1949
SC	=	Securities Commission
SCIT	=	Special Commissioners of Income Tax
SME	=	Small and Medium Enterprise
SOCSSO	=	Social Security Organisation
SRI	=	Sustainable Responsible Investment
TP	=	Transfer Pricing
WT	=	Withholding Tax
YA	=	Year of Assessment

## A. Income Tax – Changes Affecting Individuals

### 1. Imposition of Income Tax on Profit Distributions Received by Partners in LLP

- Currently, profit distributions from LLP received by partners are exempted from tax
- To establish a more progressive individual income tax structure and broaden the tax base, it is proposed that an income tax of 2% be imposed on chargeable income from profit distributions from LLP received by individual partners (residents and non-residents) in which the profit distributions exceed RM100,000 in a year of assessment
- The prescribed formula to determine the chargeable income on profit distributions from LLP (in the event the individual partner has profit distributions and other income) is as follows:-

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

Where

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\*

\* after taking into account reliefs and deductions

- The value of profits distributed in kind shall be taken to be the market value of the profits at the time of the profit distributions
- Effective YA 2026

### 2. Expansion of Scope of Tax Relief for Medical Expenses for Self, Spouse and Child

- Currently, tax relief of up to RM10,000 is given for medical treatment expenses incurred:-
  - for self/spouse/child on:-
    - serious disease;
    - vaccination (limited to RM1,000);
    - complete medical examination, mental health examination and purchase of self-testing medical device (limited to RM1,000); and
    - dental examination and treatment expenses (limited to RM1,000)
  - for self/spouse on:-
    - fertility treatment
  - for child on:-
    - screening for detection, early intervention programmes and continuous rehabilitation treatment for children with learning disabilities (limited to RM6,000)
- It is proposed that:-
  - the types of vaccines eligible for relief be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health [“MOH”]
  - relief for 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, Global Developmental Delay, intellectual disability, down syndrome and specific learning disabilities be increased from RM6,000 to RM10,000
- Effective YA 2026

### 3. Review of Tax Relief for Fees Paid to Child Care Centres and Kindergartens

- Currently, tax relief of up to RM3,000 (comprising of RM2,000 permanent relief and RM1,000 time bound relief available up to YA 2027) is given to either parent of a child on fees paid to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 for children aged 6 and below

- It is proposed that the 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 of RM3,000
- It is further proposed that the scope of tax relief for eligible child care premises be expanded to include care centre registered with the Department of Social Welfare under the Care Centres Act 1993 for children aged 12 and below
- Effective YA 2026

#### **4. Tax Relief on Expenditure Incurred in Relation to Domestic Tourism and Cultural Programmes**

- Previously, a tax relief of up to RM1,000 was given to individuals from the YA 2020 to YA 2022 for the following expenses:-
  - accommodation at premises registered with MOTAC;
  - entrance fees to tourist attractions; and
  - purchase of domestic tourism packages through licensed travel agents registered with MOTAC
- In conjunction with Visit Malaysia Year 2026, it is proposed that relief of up to RM1,000 be given to individuals on the following entrance fees (evidenced by receipts):-
  - tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks; and
  - cultural and arts programme
- Effective YA 2026

#### **5. Expansion of Tax Relief for Environmental Sustainability and Home Safety-related Expenditure**

- Currently, tax relief of up to RM2,500 is given on environmental sustainability-related expenses related to:-
  - installation, rental and purchase (including hire-purchase equipment or subscription fee) of EV charging facilities for the individual own vehicle from YA 2022 to YA 2027; and
  - purchase of household food waste compost machine where the claim is allowed once within 3 years of assessment from YA 2025 to YA 2027
- In order to promote sustainable and safe lifestyles through the adoption of green technology and smart safety systems, it is proposed that the expenses incurred on the installation and purchase of food waste grinder machine and Closed-Circuit Television ["CCTV"] for household purposes of the individual be allowed tax relief once within 2 years of assessment
- This new tax relief together with the tax relief for EV charging facilities and household food waste compost machine shall be limited to RM2,500
- Effective YA 2026 and YA 2027

#### **6. Expansion of Scope of Tax Relief for Life, Education and Medical Insurances**

- Currently, tax relief is claimable by individual taxpayers as follows:-
  - life insurance premiums or *takaful* contributions for self, husband/wife of up to RM3,000; and
  - education and medical insurance premiums for self, husband/wife or children of up to RM4,000
- It is proposed that the scope for the payment of life insurance premiums or *takaful* contributions be expanded to include children
- The eligibility criteria for insured children for the purpose of claiming individual income tax relief on life insurance premiums or *takaful* contributions, education and medical insurance are determined as follows:-
  - aged below 18 and unmarried;
  - aged 18 and above, unmarried and pursuing tertiary education;
  - no age limit for unmarried children and is serving under articles or indentures with a view of qualifying in a trade or profession; or
  - no age limit for unmarried disabled children (whether physically or mentally)
- Effective YA 2026

- 7. Tax Deduction for Contribution to Approved Anti-Corruption Programmes Organised by Civil Society Organisations**
  - Please refer to Part B8 below
  
- 8. Tax Deduction for Contribution to *MADANI* Initiative Programmes**
  - Please refer to Part B9 below
  
- 9. Tax Deduction for Cash Contributions to Trust Account of the Department of Museums Malaysia**
  - Please refer to Part B10 below
  
- 10. Expansion of Scope of Eligibility for Approval under Section 44(6) for Private Hospital Welfare Funds**
  - Please refer to Part B24 below

## **B. Income Tax – Changes Affecting Companies and Unincorporated Business**

### **1. Expansion of Category of Taxpayer to Furnish Documents Through Malaysian Income Tax Reporting System [“MITRS”] to Partnership**

- Currently, Section 82B of the ITA 1967 provides that a person (such as individual and company) who has furnished a return under Section 77 or Section 77A of the ITA 1967 shall provide information and furnish documents as determined by the DGIR for the purpose of ascertaining his chargeable income and tax payable on an electronic medium or by way of electronic transmission within 30 days after the due date for furnishing of the return
- A new Section 82B(1A) of the ITA 1967 be introduced to provide for the obligation to provide information and furnish documents as determined by the DGIR for the purpose of ascertaining the divisible income or divisible loss from the business of partnership on an electronic medium or by way of electronic transmission within 30 days after the due date for furnishing of the return
- Effective YA 2027

### **2. Restructuring of Instalment Payment Schedule**

- Currently, the tax instalment payment in respect of the estimate of tax payable for a year of assessment shall be paid to the IRB in equal monthly instalments and each instalment shall be paid by the due date beginning from the second month of the basis period
- It is proposed that effective YA 2028, the first instalment payment for the estimate of tax payable be amended to begin from the first month of the basis period
- A special transition rule will apply for the YA 2027, where the estimate of tax payable for the YA 2027 shall be paid to the IRB in equal monthly instalments determined according to the number of months in the basis period for the YA 2027 reduced by one month

### **3. Expansion of Utilisation of Tax Paid in Excess**

- Currently, the DGIR may utilise any excess of tax paid by a person under the ITA 1967 for payment of any other debt due and payable by that person (including any amount of instalments which are due and payable) under the ITA 1967, Petroleum (Income Tax) Act 1967 [“PITA 1967”] or RPGT 1976. Likewise, any excess of tax paid by the person under the PITA 1967 or RPGT 1976 may be utilised for payment of tax which is due and payable under the ITA 1967, PITA 1967 or RPGT 1976
- It is proposed that the utilisation of tax paid in excess be expanded to utilise for payment of duty or tax which is due and payable under the SA 1949 and LBATA 1990
- Similarly, any excess of tax paid by the person under the SA 1949 and LBATA 1990 may be utilised for payment of tax which is due and payable under the ITA 1967, PITA 1967 or RPGT 1976
- Effective 1<sup>st</sup> January 2026

### **4. Electronic Authorisation of Filing of Forms by Tax Agents or Employees**

- Currently, a company and bodies of persons under Section 75(1) of the ITA 1967 is allowed to grant authorisation in writing to tax agents or employees to furnish on behalf any prescribed form through electronic medium
- To strengthen the compliance in administration, it is proposed that the authorisation of tax agents or employees be made via prescribed form on an electronic medium or by way of electronic transmission
- Effective 1<sup>st</sup> January 2027

**5. Appointment of Employee of Partnership for Submission of Prescribed Form**

- Currently, the precedent partner of a partnership is not allowed to appoint the employees as representatives
- In order to facilitate the taxpayer in carrying out his duty, it is proposed that the precedent partner may authorise an employee as the representative to furnish the prescribed forms on behalf of the partnership
- Effective YA 2026

**6. Review of Capital Allowance on Capital Expenditure for Plant, Machinery, Information and Communication Technology Equipment and Computer Software**

- Currently, capital allowance rates on qualifying expenditure incurred for business purpose are as follows:-

Qualifying Expenditure	Existing Capital Allowance Rates	
	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%

- It is proposed that the revised capital allowance rates on qualifying expenditure incurred by a resident person are as follows:-

Qualifying Expenditure	Proposed Capital Allowance Rates	
	Initial Allowance	Annual Allowance
Procurement of locally manufactured heavy machinery	20%	40%
Procurement of locally manufactured plant and general machinery		
ICT equipment and computer software		
Consultation, licensing and incidental fees related to the development of customised computer software		

- Effective for qualifying expenditure incurred from 11<sup>th</sup> October 2025 to 31<sup>st</sup> December 2026

**7. Accelerated Capital Allowance on the Cost of Purchasing Speed Limitation Devices for Heavy Vehicles**

- Currently, the purchase of Speed Limitation Devices [“SLD”] is eligible for capital allowance under “Other Assets” category, with an initial allowance [“IA”] rate of 20% and annual allowance [“AA”] rate of 10%
- 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<sup>st</sup> January 2015 has been enforced from 1<sup>st</sup> October 2025  
 Phase 2: Activation of the SLD within the Engine Control Unit for heavy vehicles manufactured before 1<sup>st</sup> January 2015 will be compulsory from 1<sup>st</sup> January 2026  
 Phase 3: Retrofit installation of SLD for heavy vehicles manufactured before 1<sup>st</sup> January 2015 that are not equipped with an SLD system will be mandated from 1<sup>st</sup> July 2026

- It is proposed that ACA at the IA rate of 20% and AA rate of 80% be given on the purchase of SLD up to RM4,000 per unit subject to the following conditions:-
  - The SLD retrofit installation must be certified by a Verification Body recognised by the Road Transport Department;
  - The installation of SLD applies to heavy vehicles manufactured prior to 1<sup>st</sup> January 2015 that are not equipped with such devices and is limited to the following categories:-
    - goods vehicles with a Gross Vehicle Weight exceeding 3,500 kg; and
    - passenger vehicles with a Gross Vehicle Weight exceeding 5,000 kg and designed to carry more than 8 passengers
  - ACA claim is not applicable for SLD replacement
- Effective for SLD installations carried out from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2026

#### **8. Tax Deduction for Contribution to Approved Anti-Corruption Programmes Organised by Civil Society Organisations**

- In support of the National Anti-Corruption Strategy 2024-2028 which seeks to cultivate an anti-corruption culture within organisations and encourage wider public participation in combating corruption, it is proposed that:-
  - anti-corruption education programmes organised by Civil Society Organisations ["CSO"] be approved as national interest projects under Section 44(11C) of the ITA 1967, subject to the programmes/activities:-
    - recognised by the Malaysian Anti-Corruption Commission;
    - benefits the *rakyat* and does not involve sensitive issues such as politics, race and religion;
    - not profit-driven and does not collect participation fees; and
    - implemented between 1<sup>st</sup> January 2026 and 31<sup>st</sup> December 2028
  - cash donations to the approved anti-corruption programmes organised by CSO be eligible for tax deduction equivalent to the amount contributed, up to 10% of aggregate income
- Effective for applications received by MOF from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

#### **9. Tax Deduction for Contribution to MADANI Initiative Programmes**

- It is proposed that companies and individuals with business income be given tax deductions for contributing to the *Kampung Angkat*, *Sekolah Angkat MADANI* and *Sejahtera MADANI* programmes
- The effective date of this proposal is unknown

#### **10. Tax Deduction for Cash Contributions to Trust Account of the Department of Museums Malaysia**

- It is proposed that cash contributions made by individuals and companies to the Trust Account of the Department of Museums Malaysia be eligible for tax deductions equivalent to the amount contributed as an incentive to encourage public support for museum development and preservation initiatives
- The effective date of this proposal is unknown

#### **11. Tax Deduction on Costs of Renovation and Refurbishment for Tourism Projects Operators**

- It is proposed that tax deduction of up to RM500,000 be given to tourism projects operators registered with MOTAC for expenses incurred for renovation and refurbishment cost on their business premises
- Effective for qualifying expenditure incurred from 11<sup>th</sup> October 2025 to 31<sup>st</sup> December 2027

#### **12. Special Tax Deduction on Expenses Incurred for Renovation and Conversion of Commercial Buildings into Residential Premises**

- It is proposed that a special tax deduction of 10% be allowed on qualifying expenditure incurred for the renovation and conversion of commercial buildings into residential premises, limited to RM10 million
- The effective date of this proposal is unknown

### **13. Further Deduction for Expenses incurred on Artificial Intelligence Training**

- Currently, tax deduction is given under Section 33 of the ITA 1967 for expenses incurred on employees training which are directly related to the company's business activities
- Companies are also given further tax deduction on the expenses incurred for approved training programmes in manufacturing and non-manufacturing activities, including the hotel and tourism industries, excluding companies that contribute to HRD Corp
- To encourage the adoption of artificial intelligence ["AI"] in business operations, it is proposed that a further tax deduction equivalent to 50% of expenses incurred by MSME be given on AI training recognised by MyMahir National AI Council for Industry, including those contributing to HRD Corp
- The above further tax deduction is claimable once in 2 years
- Effective for applications received by TalentCorp from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2027

### **14. Expansion of Double Deduction for Training of Care Worker**

- Currently, double deduction is given to companies sponsoring training for persons with disabilities ["OKU"] who are registered with the Department of Social Welfare and are not employees of the sponsoring company
- In order to fulfil the need for quality care services for elderly, children with special needs and OKU, it is proposed that this tax deduction be expanded to include sponsorship of care workers to undergo training programmes in institutions recognised by the Ministry of Women, Family and Community Development, who are not employees of the company
- Effective YA 2026 to YA 2027

### **15. Extension of Double Deduction for Scholarships**

- Currently, double deduction is given to companies providing scholarships to students pursuing technical and vocational certificate, Diploma, Bachelors, Masters and Doctorate levels
- It is proposed that the double deduction be extended for another 5 years and the scope be reviewed as follows:-
  - double deduction be expanded to qualified professional certification courses;
  - sponsorship for Masters and Doctorate programmes will be discontinued; and
  - the household income limit for the student's parents or guardian to be increased to not exceeding RM15,000 per month
- Effective YA 2026 to YA 2030

### **16. Review of Tax Deduction for Employment of Senior Citizen, Ex-Convict, Parolee, Supervised Person, Ex-Drug Dependant, Inmate and Ex-Inmate of Henry Gurney School and Institutions under the Social Welfare Department**

- Currently, an employer is given further tax deduction of remuneration incurred by him for employment of senior citizen ( $\geq 60$  years of age), ex-convict, ex-drug dependent, parolee, supervised person, inmate and ex-inmate of Henry Gurney School and institutions under the Social Welfare Department until YA 2025, subject to the following conditions:-
  - the employee is employed on a full-time basis;
  - the remuneration paid to each employee does not exceed RM4,000;
  - employer and employee are not the same person; and
  - the employer is not a relative of the employee
- It is proposed that the above further deduction for remuneration paid to senior citizen be extended for another 5 years
- It is also proposed that further tax deduction be expanded to include remuneration paid 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
- Effective YA 2026 to YA 2030

## **17. Extension and Expansion of Tax Deduction on Cost of Listing in Bursa Malaysia**

- Currently, tax deduction of up to RM1.5 million is allowed for the following expenditure incurred by technology-based companies and MSME for the basis period in a year of assessment when the company is listed on Main Market, Access, Certainty, Efficiency ["ACE"] Market or Leading Entrepreneur Accelerator Platform ["LEAP"] Market of Bursa Malaysia from the YA 2023 to YA 2025:-
  - payment of fees to Bursa Malaysia and SC;
  - payment of the following professional fees:-
    - advisory fee to the principal adviser for listing on the Main Market, sponsor, being the main adviser for listing on the ACE Market and approved adviser, being the main adviser for listing on the LEAP Market; and
    - in relation to the listing exercise, fees to the solicitor, company secretary, tax adviser, reporting accountant, auditor, valuer, independent market researcher, issuing house and share registrar; and
  - payment of fees for underwriting, placement and brokerage services
- It is proposed that the deduction be expanded to cover MSME in the energy and utilities sectors
- In addition, it is proposed that the above tax deduction be extended for another 5 years
- Effective YA 2026 to YA 2030

## **18. Review of Tax Exemption on Foreign-Sourced Income**

- Effective 1<sup>st</sup> January 2022, foreign-sourced income ["FSI"] derived from source outside Malaysia and received in Malaysia by any person who is a resident is subject to income tax
- Currently, income tax exemptions are given on the following FSI:-
  - i dividend income received by company and LLP (from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2026)
  - ii gains from disposal of capital assets received by company, LLP, trust body or co-operative society (from 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2026);
  - iii income received by individual (excluding partnership) (from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2036); and
  - iv income from unit trusts (from 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2026)
- It is proposed that the scope of tax exemptions on FSI be expanded to dividend income received by co-operative society and trust body
- It is further proposed that the tax exemptions on items (i), (ii) and (iv) be extended for another 4 years
- Effective from 1<sup>st</sup> January 2027 to 31<sup>st</sup> December 2030

## **19. Tax Exemption for Organising International Incentive Trips, Conferences and Trade Exhibitions**

- Currently, 100% tax exemption is given to companies, associations and organisations in Malaysia whose main activities are promoting and organising conferences (effective YA 1997) and other entities whose main activities are not primarily promoting and organising conferences (effective YA 2020 to YA 2025), subject to the conference promoter bringing in at least 500 foreign participants annually
- To promote international incentive trips, conferences and trade exhibitions, it is proposed that 100% income tax exemption on statutory income for organisers verified by MOTAC be extended for 2 years, subject to bringing in:-
  - at least 1,500 foreign participants for incentive trips annually;
  - at least 2,000 foreign participants for conferences annually; or
  - at least 3,000 foreign participants for trade exhibitions annually
- Effective YA 2026 to YA 2027

## 20. Tax Exemption for Organising Arts, Cultural, Sports, and Recreational Activities

- Currently, 50% tax exemption on statutory income is granted to organisers of approved activities from YA 2020 to 2025 as follows:-
  - arts and cultural activities approved by MOTAC and held at *Istana Budaya*, National Visual Arts Gallery or Petronas Philharmonic Hall; or
  - sports and recreational competitions of international standard approved by the Ministry of Youth and Sports [*"KBS"*] held in Malaysia
- In conjunction with Visit Malaysia Year 2026, it is proposed that:-
  - the scope be expanded to include tourism activities approved by MOTAC (excluding concert performances);
  - the venue for arts, cultural and tourism activities be broadened to include any location in Malaysia approved by MOTAC;
  - international standard sports and recreational competitions approved by KBS; and
  - the incentive be extended for 2 years
- Effective YA 2026 to YA 2027

## 21. Expansion of Scope of Income Tax Exemption on SRI Sukuk Grant and Bond Grant Scheme

- Currently, income tax exemption is given to the recipient of the Sustainable and Responsible Investment [*"SRI"*] *Sukuk* Grant, SRI-Linked *Sukuk* Grant, bonds issued under the Association of Southeast Asian Nations [*"ASEAN"*] Green, Social and Sustainability Bond Standards and ASEAN Sustainability-Linked Bond Standards, to finance 90% of the external review expenditure, limited to RM300,000 incurred for the issuance of *sukuk*
- It is proposed that:-
  - the tax exemption be expanded to include *sukuk* and bonds issued under the ASEAN Taxonomy for Sustainable Finance Grant approved by the SC
  - the grant allocation for external review expenses be increased to 100%, limited to RM300,000
- Effective for applications received by the SC from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

## 22. Review of Tax Treatment on Public University Teaching Hospitals Endowment Fund

- Currently, the tax treatment accorded to the endowment funds established by public universities are as follows:-
  - cash contributions to the endowment funds are allowed for tax deduction under Section 44(11D) of the ITA 1967; and
  - contributions received including income generated from the endowment fund are exempted from tax
- It is proposed that public university teaching hospitals be allowed to establish endowment funds to ensure financial sustainability of these hospitals in providing quality healthcare services
- Accordingly, the endowment funds established by the public university teaching hospitals would be eligible for similar tax treatments as described above, provided that the endowment funds established are governed and managed solely by the public university teaching hospitals in line with their prescribed guidelines
- Effective YA 2026

## 23. Extension of Tax Exemption for Social Enterprises

- Currently, income tax exemption is given on all income for up to 3 years of assessment received by a Social Enterprises accredited by the Ministry of Entrepreneur and Cooperatives Development
- It is proposed that the application period for the tax exemption be extended for another 3 years
- Effective for applications received by the MOF from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

#### **24. Expansion of Scope of Eligibility for Approval under Section 44(6) for Private Hospital Welfare Funds**

- Currently, to assist targeted or underprivileged patients in obtaining healthcare, private hospitals licensed under the Private Healthcare Facilities and Services Act 1998 are allowed to establish a Hospital Welfare Funds managed by a company limited by guarantee
- Contributors to the fund be eligible for income tax deductions, while the income earned by the fund itself be granted income tax exemption and applicants for approved fund must be submitted to the IRB
- It is proposed that the scope of eligibility for approval be expanded to include Company Limited by Shares
- The effective date of this proposal is unknown

#### **25. Organisations Approved under Section 44(6) of the ITA 1967 to Utilise Part of the Income for Sports Development Activities**

- To promote national sports development activities, it is proposed that institutions/organisations/funds that do not operate solely for profit may apply from the IRB for approval under Section 44(6) of the ITA 1967
- Organisations approved under Section 44(6) of the ITA 1967 may utilise a portion of the income received to carry out sports activities
- The effective date of this proposal is unknown

## C. Capital Gains Tax

### 1. Review of The Definition of “Disposal”

- Currently, “disposal” is defined under Section 65C of the ITA 1967 as to sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes a reduction of share capital and purchase by a company of its own shares
- It is proposed that the above definition be expanded to include:-
  - an extinguishment of any rights due to the dissolution or winding up of a company; or
  - a conversion of shares, redemption of shares, or ownership of the capital asset ends
- Effective 1<sup>st</sup> January 2026

### 2. Review of the Application of Chapter 9 of the ITA 1967

- Currently, Section 65D(1) of the ITA 1967 provides that Chapter 9 of the ITA 1967 shall apply for ascertaining the chargeable income of a company, LLP, trust body, or co-operative society which receives gains or profits from the disposal of capital asset
- It is proposed that the above provision be amended to clarify that Chapter 9 of the ITA 1967 shall apply only to the disposal capital asset situated in Malaysia and Section 15C shares i.e. not applicable to the disposal of foreign capital asset
- Effective 1<sup>st</sup> January 2026

### 3. Determination of Date of Disposal of Capital Assets

- It is proposed that, where there is no written agreement, the date of disposal of a capital asset i.e. the date of completion of the disposal be revised based on the following dates, whichever is the earlier:-
  - (a) The date on which the ownership of the capital asset disposed of is transferred by the disposer / ownership of the capital asset by the disposer ends / the rights are extinguished due to the dissolution or winding up of a company; or
  - (b) The date on which the whole of the disposal consideration, whether in cash or in kind, has been received by the disposer
- Further, a new Section 65F(3A) of the ITA 1967 be introduced to clarify that the situations in (a) above shall be deemed to take place on the date when all requirements under any written law have been complied with for the respective transactions
- Effective 1<sup>st</sup> January 2026

### 4. Vested Right in A Capital Asset Held through Nominee

- It is proposed that a new Section 76A of the ITA 1967 be introduced to provide that in the case of a capital asset held by a nominee for a company, LLP, trust body or co-operative society (i.e. the beneficial owner), the CGT provisions under the ITA 1967 shall apply as if the capital asset is vested in the beneficial owner where any act of the nominee shall be regarded as the act of the beneficial owner. In other words, the person chargeable to CGT shall be the beneficial owner
- It is further proposed that the transfer of capital asset between the nominee and the beneficial owner shall be disregarded for the purposes of CGT i.e. not to be regarded as an acquisition / disposal of capital asset subject to CGT
- Effective 1<sup>st</sup> January 2026

## D. Investment Incentives

### 1. Green Investment Tax Allowance Asset for Own Consumption

- Currently, the following incentives for Green Investment Tax Allowance ["GITA"] Asset for Own Consumption is given to companies undertaking qualifying green activities:-

Qualifying Activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
<b>Tier 1:</b> (i) List of qualifying assets approved by MOF (ii) Battery Energy Storage System (iii) Green building	100%	70%	Qualifying capital expenditure incurred from 1 <sup>st</sup> January 2024 to 31 <sup>st</sup> December 2026
<b>Tier 2:</b> (i) List of qualifying assets approved by MOF (ii) Renewable Energy System (iii) Energy efficiency	60%	70%	

- It is now proposed that a 100% GITA Asset for Own Consumption be expanded to cover companies that use locally manufactured green technology products registered under the MyHIJAU Mark

### 2. Review of Tax Incentive for Food Security Projects

- Currently, the tax incentives for food production projects are given as follows:-
  - A company that undertakes investment in a subsidiary company engaging in new food production project is given tax deduction equivalent to the amount of investment made in the subsidiary in the basis year the investment is made; and
  - A company carrying out:-
    - a new food production project is given 100% income tax exemption of statutory income for a period of 10 years of assessment; or
    - an expansion of the existing food production project is given 100% income tax exemption of statutory income for a period of 5 years of assessment
  - Applications for the tax incentives will expire on 31<sup>st</sup> December 2025
- The Tax Incentive for Food Production Projects to be rebranded as the Tax Incentive for Food Security Projects
- It is proposed that the tax incentives for companies implementing food security projects be given as follows:-

Eligible Companies	Tax Incentive
Companies engaging in new projects	<ul style="list-style-type: none"> <li>100% income tax exemption on statutory income for a period of 10 years of assessment; and</li> <li>The tax exemption be given on income generated from sales in domestic markets</li> </ul>
Existing companies undertaking expansion projects	<ul style="list-style-type: none"> <li>100% income tax exemption on statutory income for a period of 5 years of assessment; and</li> <li>The tax exemption be given on income generated from sales in domestic markets</li> </ul>

- Effective for applications received by Ministry of Agriculture and Food Security ["MAFS"] from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2030

### 3. Expansion of Automation Tax Incentive for Agriculture Sector

- Currently, the tax incentives for chicken rearing using closed-house system and automation in the agriculture sector are given as follows:-
  - Chicken rearing through the closed-house system
    - ACA of 100% on the qualifying capital expenditure;
    - Income tax exemption of 100% equivalent to the qualifying capital expenditure; and
    - Application for the tax incentive will expire on 31<sup>st</sup> December 2025
  - Automation in the agriculture sector
    - ACA of 100% on the first RM10 million of the qualifying capital expenditure
- It is proposed that the tax incentive for automation in the agriculture sector be expanded to include chicken rearing using the closed-house system
- Effective for applications received by the MAFS from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2027

### 4. Review of Tax Incentive for Venture Capital

- To further encourage investment by Venture Capital Company ["VCC"], the following is proposed:-
  - VCC
    - A corporate tax rate of 5% be imposed on all income earned by a VCC, excluding interest or profit derived from savings, fixed deposits, or deposits, provided that the VCC invests at least 20% of its funds in local venture companies
    - The incentive is granted for a period of 10 years or for the remaining life of the fund, commencing from the year the VCC obtains its first certification from the SC no later than 31<sup>st</sup> December 2035
    - This incentive is expanded to include entities incorporated under the Limited Liability Partnerships Act 2012 and Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 which elect to be taxed under the ITA 1967
  - Venture Capital Management Company
    - Tax rate of 10% will be imposed on income derived from profit sharing, management fees and performance fees from YA 2025 to YA 2035
  - Individual Shareholders of VCC
    - Income tax exemption will be granted on dividends paid, credited or distributed to individual shareholders at the first level from YA 2025 to YA 2035
- Effective YA 2025

### 5. Tax Incentives for Tour Operators

- To boost participation in Visit Malaysia Year 2026, it is proposed that tour operators be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:-
  - the operator must bring in at least 1,000 foreign tourists annually; and
  - 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 YA 2026 and YA 2027

### 6. Extension of Tax Incentive for Commercialisation of R&D Findings

- Currently, tax deduction is given for investments made in the subsidiary company that undertakes the commercialisation of non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher learning institutions
- To elevate productivity and drive national competitiveness, it is proposed that the above tax incentive be extended for another 5 years
- Effective for applications received by MIDA from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2030

## **E. Real Property Gains Tax**

### **1. Review of Tax Treatment on Allowable Losses**

- Currently, allowable loss is allowed to reduce the chargeable gain from subsequent disposal of chargeable asset within the same year of assessment or subsequent years of assessment indefinitely until fully utilised
- It is proposed that:-
  - the unutilised allowable loss arose in a year of assessment be allowed to be carried forward up to 10 consecutive years of assessment;
  - any unutilised allowable loss at the end of the 10<sup>th</sup> year of assessment be disregarded; and
  - the unutilised allowable loss as at YA 2025 be allowed to be carried forward until YA 2035, any balance not utilised by then shall be disregarded
- Effective YA 2026

### **2. Settlement of RPGT Payable in respect of Deemed Assessments via Instalment**

- In line with the introduction of self-assessment system [“SAS”] for RPGT effective YA 2025, it is proposed that the power given to DGIR in granting instalments for settlement of RPGT payable under Section 21(3) of the RPGT Act 1976 be expanded to include RPGT payable in respect of deemed assessments under SAS (which includes amended return deemed assessed under Section 15A of the RPGT Act 1976)
- Effective 1<sup>st</sup> January 2026

### **3. Review of Retention Sum by Acquirer in Relation to Disposal of A Chargeable Asset**

- Currently, an acquirer is required to retain and remit to the DGIR the lesser of:-
  - the monetary portion of the consideration; and
  - 3%, 5% or 7% of the total value of the consideration, depending on the category of the disposer and/or holding period of asset by the disposer
- It is proposed that the amount of tax on the chargeable gains deemed assessed be added to the above components i.e. an acquirer may retain and remit to the DGIR up to the amount of tax deemed assessed on the disposer under SAS, provided that:-
  - the amount of tax deemed assessed is the least among all the specified components; and
  - the notification on that amount of tax is received by the acquirer from the disposer before the retention sum is remitted to the DGIR based on the lesser of the existing 2 components (as listed above)
- Corresponding to the above, it is further proposed that:-
  - the notification on the amount of tax payable on the chargeable gain deemed assessed shall be deemed to have been served electronically on the acquirer by the disposer on the day which the RPGT return in respect of the relevant disposal is e-filed to the DGIR
  - the DGIR may, under special circumstances, allow an extension of time for payment of the applicable retention sum
- Effective 1<sup>st</sup> January 2026

### **4. Expansion of Utilisation of Tax Paid in Excess**

- Please refer to Part B3 above

### **5. Mandating Submission of Amended Return Electronically**

- It is proposed that a new Section 13A(1A) of the RPGT Act 1976 be introduced to mandate that amended RPGT returns shall be furnished to the DGIR in an electronic medium or via electronic transmission
- Effective 1<sup>st</sup> January 2026

## **6. Use of Prescribed Form for Request to Submit Application for Relief Other Than In Respect of Error or Mistake to the Special Commissioners of Income Tax**

- Currently, where a person has made an application for relief other than in respect of error or mistake to the DGIR under Section 19A of the RPGT Act 1976 and is aggrieved by the decision made by the DGIR, he may further appeal to the Special Commissioners of Income Tax ["SCIT"] by making a request in writing to the DGIR to forward the application for relief to the SCIT, within 6 months after being informed of the decision
- It is proposed that the above request to the DGIR be made in a prescribed form
- Effective 1<sup>st</sup> January 2026

## **7. Failure to Comply With The DGIR's Call for Specific Returns, Production of Books, Statement of Bank Accounts etc.**

- It is proposed that any person who, without reasonable excuse, fails to comply with the requirements of a notice given under Sections 28A or 28B of the RPGT Act 1976 (i.e. not furnishing the specific returns, books, statement of bank accounts etc. called by the DGIR) be guilty of an offence and on conviction, shall be liable to imprisonment for a term not exceeding 1 year or to a fine not exceeding RM2,000 or to both
- Effective 1<sup>st</sup> January 2026

## **8. Power of the DGIR to Issue Guidelines**

- Currently, there is no provision to empower the DGIR to issue guidelines under the RPGT Act 1976
- It is proposed that a new Section 43A of the RPGT Act 1976 be introduced to empower the DGIR to issue guidelines to clarify the provisions of the RPGT Act 1976 or to facilitate the compliance thereof or any other matter relating thereto
- The DGIR may revoke, revise or amend the whole or any part of such guidelines issued
- Effective 1<sup>st</sup> January 2026

## **9. Revocation of Agent Declared by DGIR**

- It is proposed that a new Section 51(1A) of the RPGT Act 1976 be introduced to empower the DGIR to revoke the declaration of a person as the agent of any other person under Section 51(1) of the RPGT Act 1976 at anytime by way of a notice in writing
- Effective 1<sup>st</sup> January 2026

## **10. Authorisation of Nominee, Tax Agent or Lawyer**

- Currently, a person may give authorisation in writing to a nominee, tax agent or lawyer to furnish on behalf any RPGT prescribed form in an electronic medium or by way of electronic transmission to the DGIR
- It is proposed that the above authorisation be made in a prescribed form and be furnished to the DGIR on an electronic medium or by way of electronic transmission
- Effective 1<sup>st</sup> January 2027

## F. Stamp Duty

### 1. Review of Stamp Duty Exemption on Employment Contracts

- Currently, stamp duty exemption is granted for employment contracts with monthly wages not exceeding RM300
- It is proposed that the wage threshold for the above stamp duty exemption be increased from RM300 to RM3,000
- Effective for employment contracts executed from 1<sup>st</sup> January 2026

### 2. Extension of Stamp Duty Exemption on Insurance Policies or *Takaful* Certificates for *Perlindungan Tenang* Products

- Currently, stamp duty exemption is granted for insurance policies and *takaful* certificates in respect of *Perlindungan Tenang* products with an annual premium or contribution not exceeding RM150, issued by a licensed insurer or a licensed *takaful* operator from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for policies and certificates issued from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

### 3. Extension of Stamp Duty Exemption on Insurance Policies or *Takaful* Certificates for Product with Low Annual Premium or Contribution Value

- Currently, stamp duty exemption is granted for insurance policies or *takaful* certificates for approved insurance or *takaful* products (i.e. liability, fire, travel, engineering, personal accident and fire business interruption) with an annual premium or contribution value not exceeding:-
  - RM150 for individuals; and
  - RM250 for MSME,issued by a licensed insurer or a licensed *takaful* operator from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for policies or certificates issued from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

### 4. Extension of Stamp Duty Exemption for Instruments of Transfer and Loan Agreements for the Purchase of First Residential Home

- Currently, stamp duty exemption is given on the instruments of transfer and loan agreements for the purchase of first residential home valued up to RM500,000 by Malaysian citizens. This exemption applies to sale and purchase agreements executed from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2025
- It is proposed that the above stamp duty exemption be extended for another 2 years
- Effective for sale and purchase agreements executed from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2027

### 5. Review of Stamp Duty on Instruments of Transfer of Residential Property to Non-Citizens and Foreign Companies and New Definition of “Residential Property”

- Currently, stamp duty at a flat rate of 4% is levied on the instruments of transfer of real properties (including residential properties) to non-citizen individuals (excluding permanent residents) and foreign companies
- It is proposed that the properties stamp duty rate levied on the instruments of transfer of any residential property be increased from 4% to 8%
- Further, it is proposed that a new definition be introduced in SA 1949 to define “residential property” as a house, condominium, apartment, flat, service apartment or small office home office solely to be used as a dwelling house
- Effective 1<sup>st</sup> January 2026

## 6. Stamp Duty Exemption on Contract Notes for Buy-Side Transaction of Structured Warrant

- Currently, stamp duty at a flat rate of 0.1% is levied on contract notes for the sale and purchase transaction of structured warrants, capped at RM200 per contract note
- It is proposed that stamp duty exemption be given on contract notes for buy-side structured warrant transaction
- Effective for transactions executed from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

## 7. Extension of Stamp Duty Exemption on Contract Notes for Listed Exchange-Traded Funds Transactions

- Currently, stamp duty exemption is given on contract notes for the sale and purchase transaction of Exchange-Traded Funds listed on Bursa Malaysia, executed from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2025
- It is proposed that the above stamp duty exemption be extended for another 3 years
- Effective for transactions executed from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2028

## 8. Condition for Return of *Ad Valorem* Duty on Certain Contracts Rescinded

- Currently, Section 21(7) of the SA 1949 provides that the Collector shall return the *ad valorem* duty paid for any contract or agreement made in Malaysia for the sale of equitable estate / interest in the property as specified under Section 21(1) of the SA 1949, which is subsequently rescinded, annulled, not performed/effected as a conveyance/transfer
- It is proposed that the above return of stamp duty be conditional on an application made within 24 months after the date of the instrument by the person who first or alone executed
- Effective 1<sup>st</sup> January 2026

## 9. Expansion of Utilisation of Tax Paid in Excess

- Please refer to Part B3 above

## 10. Review of Stamp Duty on Instruments Effecting Exchange of Real Property

- Currently, the *ad valorem* stamp duty levied on instrument effecting the exchange of any property shall be payable by the parties involved in equal shares
- It is proposed that the *ad valorem* stamp duty levied on instrument be payable by each grantee or transferee in the exchange
- Effective 1<sup>st</sup> January 2026

## 11. Review of Penalties/Fines for Various Offences

- It is proposed that the following stamp duty penalties/fines be introduced/revised:-

Offences	Penalties/Fines	
	Current	Proposal
Late stamping of instrument deemed assessed under stamp duty self-assessment system ["SDSAS"]	None	i) Penalty of RM50 or 10% of the amount due, whichever is higher, if the instrument is stamped within 3 months from the due date of stamping; or ii) Penalty of RM100 or 20% of the amount due, whichever is higher, in any other case

Offences	Penalties/Fines	
	Current	Proposal
Registering the transfer of debentures or shares in a company in a register kept in Malaysia for any instrument executed outside Malaysia which is not duly stamped as required under Section 4A(2) of the SA 1949	Fine of up to RM250	Fine ranging from RM1,000 to RM10,000
Failure by an authorised person to remit the compounded stamp duties collected on unstamped instruments to the Collector within the time frame stipulated under Section 9(3) of the SA 1949	Penalty of RM200 or 10% of the amount due, whichever is higher	Penalty of RM500 or 20% of the amount due, whichever is higher
Failure to disclose all the facts and circumstances in relation to any instrument with the intention of evading payment of stamp duty	Fine of up to RM2,500	Fine ranging from RM2,500 to RM50,000
Executing and signing documents not duly stamped	Fine of up to RM1,500	Fine ranging from RM1,000 to RM10,000
Failure by a dealer/agent to execute and transmit a contract note on any sale or purchase of stock or marketable security as required under Section 32A of the SA 1949	Fine of up to RM1,500	Fine ranging from RM1,000 to RM10,000
Committing frauds relating to stamp certificates	Fine of up to RM5,000 on conviction	Fine of RM2,500 to RM50,000 on conviction

- Effective 1<sup>st</sup> January 2026

## 12. Review of the Due Date for Payment of Stamp Duty Payable and Stamping of Instrument for Deemed Assessment

- Currently, pursuant to Section 36(2)(b) of the SA 1949, the stamp duty on an instrument deemed assessed under SDSAS shall be due and payable on the day the instrument is deemed assessed by the Collector (i.e. the day on which the return is furnished as clarified by the IRB previously)
- It is proposed that Section 36(2) of the SA 1949 be amended to provide that within 30 days from the date of assessment by the Collector (deemed assessment on the day of furnish of return):-
  - the duty payable on the instrument shall be due and payable
  - the instrument shall be stamped
  - late stamping penalty under Section 47A of the SA 1949 shall also be settled, if applicable
- Effective 1<sup>st</sup> January 2026

## 13. Review of Finality of Assessment

- It is proposed that the Collector may raise assessment or additional assessment under Section 36CA of the SA 1949 within 5 years from the date the stamp duty is paid/due, or at anytime in the case of fraud/negligence if it appears to him that no or no sufficient assessment has been made on the instrument chargeable to duty despite an assessment is final and conclusive under Section 36D of the SA 1949
- Effective 1<sup>st</sup> January 2026

#### **14. Power of the Collector to Issue Guidelines**

- Currently, there is no provision to empower the Collector to issue guidelines under the SA 1949
- It is proposed that a new Section 76B of the SA 1949 be introduced to empower the Collector to issue guidelines to clarify the provisions of the SA 1949 or to facilitate the compliance thereof or any other matter relating thereto
- The Collector may revoke, revise or amend the whole or any part of such guidelines issued
- Effective 1<sup>st</sup> January 2026

#### **15. Refund/Repayment of Stamp Duty on Relief in Respect of Error or Mistake**

- Currently, pursuant to Section 77A(1)(f) of the SA 1949, a registered person (i.e. a person who applies to the Collector to register to use an electronic medium i.e. Stamp Assessment and Payment System ["STAMPS"]) may make an online application for a refund of stamp duty paid in certain cases where the Collector may allow such refund via the electronic medium, without the need for the relevant instrument to be presented to the Collector. However, the said cases do not include refund/repayment of stamp duty for relief in respect of error or mistake under Section 50B(2) of the SA 1949
- It is proposed that Section 77A(1)(f) be amended to extend the abovementioned refund procedure to refund/repayment under Section 50B(2) of the SA 1949
- Effective 1<sup>st</sup> January 2026

#### **16. Remission of Penalties on Incorrect Return or Information**

- Currently, a person making an incorrect return or giving incorrect information shall be liable to:-
  - a fine ranging from RM1,000 to RM10,000 and a special penalty equal to the amount of duty undercharged, on conviction; or
  - a penalty equal to the amount of duty undercharged, if no prosecution
- It is proposed that during the initial year of SDSAS introduction, penalties on incorrect return or information be remitted, as empowered under the existing Section 72D(3) of the SA 1949
- Effective from 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2026

## G. Sales and Service Tax and Indirect Taxes

### 1. Tightening of Vehicle Tax Exemption Policy in Langkawi and Labuan

- For the purpose of addressing the issue of tax leakage by luxury vehicle owners taking advantage of the vehicle tax exemption facilities in Langkawi and Labuan, it is proposed that such exemptions be limited to vehicles with a value not exceeding RM300,000
- Effective 1<sup>st</sup> January 2026

### 2. Review of Excise Duty and Sales Tax Exemptions on the Purchase of New PROTON and PERODUA as Privately Owned Taxis and Hired Cars

- It is proposed that full exemption of excise duty and sales tax on the purchase of new national cars (*PROTON* and *PERODUA*) by privately owned taxis and hired cars be continued
- The effective date of this proposal is unknown

### 3. Review of Excise Duty Rates on Smoking Products

- 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 the Government's ongoing efforts to reduce the consumption of smoking products for the health and well-being of the *Rakyat*, it is proposed that the excise duty rates on the following smoking products be increased in phases as follows:-

Products	Tariff Code	Current Excise Duty	Proposed Excise Duty
Cigarette	2402.20.2000	40 cents per stick / RM8 per packet	42 cents per stick / RM8.40 per packet
	2402.20.9000		
	2402.90.2000		
Cigars, cheroots and cigarillos	2402.10.0000	RM400 per kilogramme	RM440 per kilogramme
	2402.90.1000		
Heated tobacco products	2404.11.0000	RM778 per kilogramme of tobacco content	RM798 per kilogramme of tobacco content

- Effective 1<sup>st</sup> November 2025

### 4. Review of Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy Products

- To further support the implementation of the mQuit Programme and the Lung Health Initiative by the MOH as well as in line with Malaysia's commitment as a party to the WHO FCTC to provide effective smoking cessation treatment, it is proposed that:-
  - import duty and sales tax exemptions on nicotine gum (tariff code 2404.91.1000) and nicotine patch (tariff code 2404.92.1000) be extended until 31<sup>st</sup> December 2027; and
  - the scope of exemption for nicotine replacement therapy products be expanded to include nicotine mist and nicotine lozenges with tariff code 2404.91.9000, effective from 11<sup>th</sup> October 2025 to 31<sup>st</sup> December 2027
- For applications received by the MOF from 11<sup>th</sup> October 2025 to 31<sup>st</sup> December 2027

## 5. Review of Excise Duty Rates on Alcoholic Beverage Products

- In order to reduce access to alcoholic beverages and promote a healthier lifestyle, it is proposed that the excise duty rates on the following alcoholic beverage products be increased by 10% as follows:-

<b>Products</b>	<b>Tariff Code</b>	<b>Current Excise Duty RM (per 100% vol. per liter)</b>	<b>Proposed Excise Duty RM (per 100% vol. per liter)</b>
Beer	22.03	175.00	192.50
Sparkling wine	2204.10.000	450.00	495.00
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	165.00
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	66.00
Samsu (including medicated samsu)	2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	60.00	66.00
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	44.00
Undenatured ethyl alcohol	2207.10.0000	22.50 and 15%	24.75 and 16.5%
Ethyl alcohol and other spirits	2207.20	1.10 and 15%	1.21 and 16.5%

- Effective 1<sup>st</sup> November 2025

## **H. Labuan**

### **1. Appointment of Authorised Officer**

- A new Section 18A of the LBATA 1990 be introduced to empower the DGIR to authorise any officer or other official as a deemed authorised officer under the LBATA 1990 to exercise the powers conferred thereunder
- When an authorised officer exercises any power as provided for under Section 22D of the LBATA 1990 to access building and documents, he is required, upon request, to show the authority card that was issued to him to the person he is acting against
- Effective 1<sup>st</sup> January 2026

### **2. Appointment of Employee of Labuan Entities for Submission of Any Form as Determined by the Director General**

- Currently, compliance officers of Labuan entities cannot appoint their employees as representatives for the purposes of submitting any form on their behalf by electronic means or via electronic transmission
- It is proposed that the compliance officers may, by a form, authorise their employees to furnish any form on their behalf by electronic means or via electronic transmission
- Tax agent has the meaning assigned to it in Section 153 of the ITA 1967
- Effective 1<sup>st</sup> January 2027

### **3. Electronic Authorisation of Tax Agents or Employees**

- Currently, a person may authorise in writing a tax agent to furnish, on his behalf, any form through electronic medium
- It is proposed that the authorisation of tax agents or employees be made via a form submitted on an electronic medium or by way of electronic transmission
- Effective 1<sup>st</sup> January 2027

### **4. Expansion of Utilisation of Tax Paid in Excess**

- Please refer to Part B3 above

## I. Others

### 1. Introduction of Digital Tax Stamp

- RMCD will introduce digital tax stamp with enhanced security features to curb counterfeiting and address leakages at the country's entry points through the Centralised Screening Complex CCTV system

### 2. Incentive for Relocation from SOCSO

- Incentive up to RM1,000 will be provided by SOCSO to job seekers or fresh graduates who receive job offers that require them to be relocated

### 3. Subscription of Medical and Health Insurance or *Takaful* Plans with Savings in Account *Sejahtera*

- EPF contributors will be allowed to use their savings in Account *Sejahtera* to subscribe to basic medical and health insurance or *takaful* plans

### 4. Carbon Tax on Iron, Steel and Energy Sectors

- Carbon Tax will be introduced in 2026 for the iron, steel and energy sectors. To ensure the efficiency of implementation of Carbon Tax, its mechanism will be aligned with the National Carbon Market Policy and the forthcoming National Climate Change Bill

### 5. Grants

- The Government has allocated funds for the following grants in Budget 2026:-

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
1.	Vehicle Replacement Grant for Cars Over 20 Years Old	-	To increase road safety and encourage vehicle owners to replace their ageing cars, the government in collaboration with national carmakers will offer a matching grant of up to RM4,000 each to the owners for purchase of new national vehicle	Matching grant
2.	i-TEKAD Programme	RM35 million	To aid low-income individuals seeking to enhance employment skills to secure more stable income opportunities	Matching grant
3.	Revival of National Museum	RM5 million	To encourage the corporate sector, donors and heritage experts to revive the National Museum	Matching grant

<b>No.</b>	<b>Type of Grants</b>	<b>Allocation</b>	<b>Targeted Beneficiary And Purposes</b>	<b>Eligible Amount</b>
4.	Disaster Relief Grant under GLC/GLIC Disaster Response Network	RM20 million	To support victims of natural disasters	Matching grant
5.	Social Initiatives by foundations of GLC/GLIC	RM120 million	To address urban poverty, homelessness and support former residents of the shelter homes of the Department of Social Welfare	Matching grant
6.	Malaysia Digital Acceleration Grant	RM53 million	To accelerate the growth and adoption of technologies such as blockchain, artificial intelligence and quantum computing	Reimbursable grant
7.	Agropreneur NextGen Programme by MAFS	RM20 million	To provide grants for young agropreneurs	Start-up grant and expansion grant
8.	Strategic Co-Investment Fund	RM200 million	To support SMEs and Mid-Tier Companies that strengthen the supply chains of key sectors through Equity Crowdfunding and Peer-to-Peer financing platforms	Matching funds
9.	Business Grant	RM10 million	To support up to 1,000 micro-entrepreneurs for purchase of business equipment	Up to RM10,000 per entrepreneur

No.	Type of Grants	Allocation	Targeted Beneficiary And Purposes	Eligible Amount
10.	i-Saraan for Gig and Self-Employed Workers	-	<p>To enhance social protection and encourage contributions to the EPF for the following groups:-</p> <ul style="list-style-type: none"> <li>• gig workers, e-hailing and p-hailing drivers</li> <li>• other informal or self-employed workers</li> </ul>	<ul style="list-style-type: none"> <li>• Matching contributions to the EPF up to RM600 per year or RM6,000 over a lifetime</li> <li>• Matching contributions to the EPF up to RM500 per year or RM5,000 over a lifetime</li> </ul>

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