

Income Tax

MSME income tax rates



- From Year of Assessment ("YA") 2027, rates reduce by **1%** on the first two bands for **micro, small and medium enterprises** ("MSMEs") (companies and LLPs with capital of RM 2.5 million or less and annual sales of no more than RM50 million).

Chargeable income	Current rate	From YA 2027
First RM 150,000	15%	14%
RM 150,001 to RM 600,000	17%	16%
Exceeding RM 600,000	24%	24% (unchanged)

Resident individual income tax rates and relief threshold



- Individual tax relief increased from RM 9,000 to **RM 12,000**, marking the first revision since 2010.
- From YA 2027, selected individual income tax rates reduce by **1%**, while the 30% top rate begins from chargeable income exceeding **RM 1 million**.

Chargeable income (RM)	Current rate	From YA 2027
0 – 5,000	0%	0%
5,001 – 20,000	1%	1%
20,001 – 35,000	3%	3%
35,001 – 50,000	6%	6%
50,001 – 70,000	11%	11%
70,001 – 100,000	19%	18%
100,001 – 150,000	25%	24%
150,001 – 400,000	25%	25%
400,001 – 600,000	26%	26%
600,001 – 1,000,000	28%	28%
1,000,001 – 2,000,000	28%	30%
Exceeding 2,000,000	30%	30%

Deduction for salary expenses



- From YA 2028, salary expenses will be deductible under Section 33 of the Income Tax Act 1967 **only if paid through a financial institution or a cashless payment instrument**, in line with the Employment Act 1955.
- MSMEs are excluded** from this restriction.
- Other business expenses **remain deductible** however they are paid.

These key tax highlights are extracted from the Budget 2027 Text and Appendices which were released on 9 October 2026 and have yet to be passed into law at the time of publication.

Tax Incentives

Global Services Hub



Previous Position

Tax rate of 5% or 10% under an outcome-based approach, plus a 15% individual rate for 3 non-citizens in key or C-suite posts. Applications to MIDA until 31 December 2027.

New Position

New company: 5%.

Existing company: 15% on income up to base income (3-year average) and **5%** above it.

Periods of **5 years, up to 30 years**. Applications to MIDA from **1 January 2027**.

- **Treasury fund management:** GSH companies cash pooling through onshore intermediaries get a **withholding tax exemption on interest paid to non-residents** and a **100% stamp duty exemption** on foreign-currency loan agreements between companies.

Malaysian shipping companies



Previous Position

70% exemption under Section 54A, with full exemption to YA 2026 under P.U.(A) 184/2024 for ships meeting RM 250,000 spending and four-employee condition.

New Position

Full exemption for YAs **2027 to 2036** where strategic management and control is in Malaysia, with RM 250,000 annual spending and **4 Malaysian citizens averaging RM 15,000 a month** per ship.

- Stamp duty on loans to buy or build Malaysian ships capped at **RM 2,000** (up to RM 100 million) and **RM 5,000** (above), from **1 January 2027**.

Green Investment Tax Allowance (GITA)



- Applies to GITA Project applications received and qualifying GITA Assets verified from **1 January 2027 to 31 December 2030**.

Category	Tier / qualifying activity	GITA	Statutory income to be set-off
GITA Project (Business)	Tier 1: Green hydrogen; ocean thermal energy conversion	100%	100% or 70%
	Tier 2: EV charging stations; renewable energy systems	60%	70%
GITA Assets (Own Consumption)	Tier 1: Listed commercial vehicles; locally produced assets; integrated renewable energy systems with BESS / ESS	100%	70%
	Tier 2: EV infrastructure; waste recycling and water harvesting systems; renewable energy systems	60%	70%

Shariah-compliant fund management



Previous Position

60% exemption on statutory income from managing Shariah-compliant funds, ending in YA 2027.

New Position

Exemption fixed at **40%** of statutory income and **extended for 3 years**, from **YA 2028 to YA 2030**.

- Exemption for resident companies providing **Shariah-compliant fund management services** approved by the Securities Commission Malaysia.

Other Incentives and Investment Measures

Automotive Hi-Tech Valley (AHTV)



Automotive vendors relocating operations to **Tanjong Malim** may claim a tax deduction on qualifying relocation costs of up to RM 5 million for expenditure incurred from 1 January 2027 to 31 December 2030.

Johor-Singapore Special Economic Zone (JS-SEZ)



Treasury fund management incentives include:

- **withholding tax exemption** on interest paid to non-residents;
- 100% **stamp duty exemption** on qualifying foreign-currency intercompany loan agreements.

The JS-SEZ Master Plan and Blueprint will be launched by end-2026.

Multi-Family Office framework



- A **Multi-Family Office** model will be introduced in Forest City, allowing licensed fund managers to serve multiple families, including approved Single Family Offices (**SFO**).
- The existing SFO regime offers 0% tax on qualifying income for up to 20 years.

AI and digital adoption



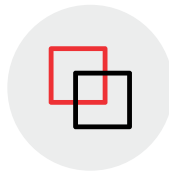
- An additional 100,000 free AI subscriptions will be offered, including applications such as ChatGPT.
- An RM 30 million MDEC fund will help 4,000 MSMEs adopt AI and automation and train and certify 5,000 AI professionals.

Accelerated capital allowance



- **20% initial and 40% annual allowance**, written off within 2 years, **extended for 4 years** to spending incurred from **1 January 2027 to 31 December 2030**.
- Covers heavy and general machinery from local manufacturers, ICT equipment and software, and fees for customised software.

Equity Crowdfunding



- Exemption for individuals investing through **equity crowdfunding** platforms approved by the Securities Commission Malaysia, **extended for 4 years** to investments made from 1 January 2027 to 31 December 2030.
- Existing conditions continue, including the **RM 50,000 annual cap** and the **10% of aggregate income** limit.

Stamp Duty

Reliefs, Remission & Exemption



Foreign currency loans: *ad valorem* stamp duty capped

- Loans or financing in foreign currency from **banks in Malaysia** will bear a maximum duty of **RM 2,000** up to RM 100 million and **RM 5,000** for loans exceeding RM 100 million
- Applies to agreements executed from **1 January 2027**.

RM 100 million loan

Stamp duty:
RM 500,000 → **RM 2,000**

RM 300 million loan

Stamp duty
RM 1.5 million → **RM 5,000**

Exemption for opening savings and current accounts

- Account-opening instruments that create a legal obligation, indemnity, guarantee or liability, now dutiable at RM 10, will be **100% exempt** from **1 January 2027**.

Remission of duty above RM 10 on financing agreements

Remission	Period
CAKNA I Early payment on completed Government contracts for MSMEs, through the sale of approved invoices to banks	Extended for 2 years: 1 January 2029 to 31 December 2030
CAKNA II Financing for small contractors on Government contracts of up to RM 1.5 million	Reintroduced: 1 January 2027 to 31 December 2030
Peer-to-peer (P2P) financing Agreements between MSMEs and investors on P2P platforms (replacing the exemption that ends in 2026)	1 January 2027 to 31 December 2030
Mid-tier company supplier financing Second-tier agreements between mid-tier companies and financial institutions for unrelated MSME suppliers	1 January 2027 to 31 December 2030

Remission, not exemption. Each agreement still bears RM 10 stamp duty. For mid-tier company financing, the first-tier credit facility agreement stays at 0.5% *ad valorem* stamp duty.

Stamp duty relief within the incentive packages

- Malaysian ships:** stamp duty on loans to buy or build Malaysian ships capped at **RM 2,000** up to RM 100 million and **RM 5,000** above, from 1 January 2027.
- Global Services Hub treasury:** **100% exemption** on foreign-currency loan agreements between companies cash pooling through onshore intermediaries (also extended to the JS-SEZ).

Indirect Taxes

Sales tax refund facility



- From **1 January 2027**, **local traders and distributors** that pay sales tax on goods they supply to manufacturers can claim a **refund**.
- Covers **machinery, spare parts and equipment** under Item 55, Schedule A, and inputs for **pharmaceutical products, animal feed, fertilisers and pesticides** under Schedule B, Sales Tax (Persons Exempted from Payment of Tax) Order 2018.



Previous Position	New Position
Manufacturers are exempt only on goods they import directly or buy directly from a local registered manufacturer. Goods bought from local traders or distributors are subject to sales tax.	Local traders and distributors supplying those goods to manufacturers recover the sales tax they paid . The stated aim is to cut business costs and strengthen local supply chains .

Elderly care services

From 1 January 2027, service tax will be reduced from **8%** to **6%**. **Full exemption** for annual care fees up to **RM 96,000** per person at registered care centres.

Duty-free islands

For visitors to Langkawi and Labuan, the import duty and sales tax exemption limit will increase to **RM 10,000**, **subject to a minimum stay of 48 hours**, from 1 January 2027.

Entertainment duty

100% exemption for **local film and theatre tickets** in the Federal Territories from 2027 to 2030, and for **activities held at Stadium Merdeka and Stadium Negara** from 1 January 2027.

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