

Key Highlights of Malaysia's Budget 2027

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Introduction



The Fifth MADANI Budget 2027 was tabled in Parliament on 9 October 2026, under the theme “*Menggapai di Langit, Mengakar di Bumi*” (reaching for the sky, rooted in the ground). Total public expenditure and investment of RM510 billion includes RM376.8 billion in Federal operating expenditure and RM83 billion in Federal development expenditure.

The Budget focuses on easing the cost of living, supporting businesses and attracting higher-value investment. Key tax proposals include lower rates for middle-income individuals and qualifying micro, small and medium enterprises (MSMEs), wider personal reliefs, revised investment incentives and stamp duty concessions.

Please find below our detailed summary and analysis of the proposals from the Fifth MADANI Budget 2027.

Personal Income Tax

1. Resident individual income tax rates

The proposed rates apply from YA 2027:

Chargeable income band (RM)	Current rate	Proposed rate	Change
0 – 5,000	0%	0%	Unchanged
5,001 – 20,000	1%	1%	Unchanged
20,001 – 35,000	3%	3%	Unchanged
35,001 – 50,000	6%	6%	Unchanged
50,001 – 70,000	11%	11%	Unchanged
70,001 – 100,000	19%	18%	Reduced by 1%
100,001 – 150,000	25%	24%	New band and reduced by 1%
150,001 – 400,000	25%	25%	Unchanged
400,001 – 600,000	26%	26%	Unchanged
600,001 – 1,000,000	28%	28%	Unchanged
1,000,001 – 2,000,000	28%	30%	Increased by 2%
Exceeding 2,000,000	30%	30%	Unchanged

2. Expansion or review of individual income tax relief: -

- **for individual relief**

The individual income tax relief for self is proposed to **increase from RM9,000 to RM12,000** from YA 2027.

- **for care expenses for parents and grandparents**

The **existing RM8,000** relief will **cover all types of care at home, daycare centres and residential care centres, beyond medical care**. For these care expenses, medical verification will no longer be required.

- **for health and well being**

The **RM10,000 medical treatment relief** will be **expanded to include postnatal care at a confinement centre or by a qualified individual**, up to RM3,000. **Breastfeeding equipment** for children aged two and below, will **qualify up to RM1,000 within this overall limit**, replacing the separate breastfeeding equipment relief.

- **for education and skills training fees**

Education fees and skills courses previously under lifestyle relief will be consolidated under a RM7,000 Education and Skills Training Fees relief. Within the overall limit, **up to RM3,000** covers recognised **TVET upskilling** for self or spouse, and **up to RM2,000** covers **non-employment skills courses** for self or spouse, or children's Science, Technology, Engineering and Mathematics, arts, language and religious courses, classes or tuition.

- **for lifestyle expenses**

The existing RM2,500 relief will be [expanded to include AI software and application subscriptions](#) for self, spouse or child. It will also cover [pet adoption](#) from registered animal shelters and registered veterinary services for [vaccination and spaying or neutering](#).

- **for sports expenses**

The existing RM1,000 sports-related lifestyle relief will [include sports shoes](#), [subject to a RM300 sub-limit](#).

- **for domestic tourism expenses**

The RM1,000 relief for entrance fees to tourist attractions and cultural and arts programmes will be [extended for one year](#) to YA 2027.

- **for SOCSO contributions**

The existing RM350 relief [will include](#) mandatory LINDUNG KENDIRI contributions for [passenger transport, goods or food transport and hawkers](#). An [additional relief of up to RM150](#) will cover [voluntary contributions to LINDUNG 24](#) and the [17 non-mandatory LINDUNG KENDIRI sectors](#).

Corporate Income Tax

1. Capital allowance for small value assets

From YA 2027, the qualifying value per asset is proposed to [increase from RM2,000 to RM3,000](#). For companies [other than MSMEs](#), the [overall annual claim limit will rise from RM20,000 to RM30,000](#). Qualifying MSMEs continue to enjoy no overall annual claim limit.

2. Accelerated capital allowance

The accelerated capital allowance of 20% initial allowance and 40% annual allowance will be [extended](#) to qualifying expenditure incurred [from 1 January 2027 to 31 December 2030](#). It covers locally manufactured heavy machinery, plant and general machinery; ICT equipment and software packages; and consultation, licensing and incidental fees for customised software development. Qualifying expenditure can be fully claimed within two years.

3. Cashless salary payments

From YA 2028, salary expenses will be [deductible](#) only where [paid through financial institutions or cashless payment instruments](#), with an [exception for MSMEs](#). Deductions for other expenses will remain unaffected by the payment method.

4. Employer repayment of employee PTPTN loans

A [tax deduction](#) is proposed for [employers repaying full-time employees' PTPTN loans](#) from [1 January 2027 to 31 December 2028](#). Employers must not require payment from employees in consideration of the repayment. Employees must not own the business or have family ties with the employer.

Tax incentives

1. Review of tax incentive for Malaysian shipping companies

Full income tax exemption is proposed for YA 2027 to YA 2036, subject to strategic management and effective control in Malaysia, annual Malaysian operating expenditure of at least RM250,000 per Malaysian ship, and at least four Malaysian employees with an average monthly salary of RM15,000 for each ship.

For loan or financing agreements executed from 1 January 2027 to purchase or construct Malaysian ships, stamp duty will be capped at RM2,000 for financing up to RM100 million and RM5,000 for financing exceeding RM100 million. The existing full stamp duty exemption for instruments relating to Labuan business activities will be maintained.

2. Green Investment Tax Allowance (GITA) for projects

For applications received by MIDA from 1 January 2027 to 31 December 2030, green hydrogen and ocean thermal energy conversion projects will qualify for a 100% GITA, set off against 100% or 70% of statutory income, over a 5 + 5 year incentive period.

Electric vehicle charging stations and renewable energy systems using biomass, biogas, mini hydro, geothermal or wind will qualify for a 60% GITA, set off against 70% of statutory income, for five years. This reduces the allowance from the existing 100% for these categories.

3. GITA for own use assets

For qualifying assets purchased from 1 January 2027 to 31 December 2030 and verified by the Malaysian Green Technology and Climate Change Corporation (MGTC), the revised incentive provides:

- 100% GITA, set off against 70% of statutory income, for specified vehicles, locally produced EV infrastructure, locally produced waste composting and recycling systems, locally produced wastewater recycling and rainwater harvesting systems, and renewable energy integrated systems combined with battery or energy storage systems.
- 60% GITA, set off against 70% of statutory income, for specified EV infrastructure, waste composting and recycling systems, wastewater recycling and rainwater harvesting systems, and renewable energy systems using biomass, biogas, mini hydro, geothermal or wind.

Applications must be made to MGTC within 24 months of purchasing the qualifying assets.

4. Global Services Hub (GSH)

For applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2027, new GSH companies will qualify for a 5% tax rate on GSH income. Existing GSH or Principal Hub companies will be taxed at 15% on income up to base income and 5% on income above that base. Base income is the average income for the preceding three years.

The incentive will be available in five-year periods, up to a maximum of 30 years, subject to performance and commitments. Qualifying companies must provide the prescribed core services and at least two additional qualifying activities. Existing companies seeking an extension must undertake additional new services.

GSH companies undertaking treasury fund management cash pooling through onshore intermediaries will qualify for withholding tax exemption on interest paid to non-residents and full stamp duty exemption on intercompany foreign currency loan agreements. These additional benefits will also apply under the Johor–Singapore Special Economic Zone incentive package, subject to the prescribed conditions.

Stamp duties

1. Purchase of a first residential home

For Malaysian citizens, [full stamp duty exemption](#) on loan agreements and instruments of transfer for a first home priced up to RM500,000 will continue. For [homes priced above RM500,000 and up to RM750,000](#), the proposal provides [100% exemption on the first RM500,000 of the price and 50% exemption on the balance](#). This applies to sale and purchase agreements executed from 1 January 2027 to 31 December 2030.

2. Revival of abandoned housing projects

[Full exemption will be reintroduced](#) for [qualifying loan agreements and instruments of transfer executed by rescue contractors or developers](#) and original purchasers from 1 January 2027 to 31 December 2030. Projects must be certified by the Ministry of Housing and Local Government.

3. Opening savings and current accounts

From 1 January 2027, [full exemption will apply to account-opening instruments executed by individuals or businesses](#) containing an [undertaking that creates a specific legal obligation, indemnity, guarantee or liability](#), which currently attracts RM10 stamp duty.

4. Foreign currency loans from Malaysian banks

For agreements executed from 1 January 2027, [stamp duty on foreign currency loans or financing from banks in Malaysia](#) will be [capped at RM2,000 for financing up to RM100 million and RM5,000 for financing exceeding RM100 million](#).

5. CAKNA financing

Stamp duty exceeding RM10 will be remitted on qualifying principal loan or financing agreements under CAKNA I from 1 January 2029 to 31 December 2030. The same concession will be reintroduced for CAKNA II agreements from 1 January 2027 to 31 December 2030.

6. Peer to peer financing

For qualifying P2P loan or financing agreements between MSMEs and investors executed from 1 January 2027 to 31 December 2030, duty exceeding RM10 will be remitted. This replaces the existing full exemption.

7. Supplier financing by mid-tier companies

Duty exceeding RM10 will be remitted on second-tier agreements between mid-tier companies and financial institutions for excess credit facilities made available to MSME suppliers, executed from 1 January 2027 to 31 December 2030. Suppliers must have fulfilled their contracts and must not be related to the mid-tier company. First-tier credit facility agreements remain subject to 0.5% duty.

Indirect taxes and duties

1. Sales tax refunds for local traders and distributors

From 1 January 2027, a sales tax refund facility will be introduced for local traders or distributors that have paid sales tax on qualifying goods supplied to manufacturers. It covers machinery, spare parts and equipment under Item 55 of Schedule A, and approved inputs for pharmaceutical products, animal feed, fertilisers and pesticides under Schedule B of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

2. Elderly care services

From 1 January 2027, elderly care services will move to Group I of the Service Tax Regulations 2018, with the registration threshold remaining at RM500,000. The service tax rate will fall from 8% to 6%. Services with annual fees up to RM96,000 per person will be exempt where provided by centres registered under the Care Centres Act 1993 or the Private Aged Healthcare Facilities and Services Act 2018. Services exceeding this annual fee threshold will be subject to 6% service tax.

3. Goods originating from Langkawi

From 1 January 2027, the import duty exemption for qualifying Langkawi-origin goods brought directly into the Principal Customs Area will be revised and expanded. Eligible categories include agriculture and agro-food, food and beverages, fisheries and marine products, minerals and ornaments, consumer and household goods, and forestry and construction products, subject to the prescribed goods list and conditions.

4. Purchases brought out of duty-free islands

From 1 January 2027, qualifying new goods brought from Langkawi or Labuan into the Principal Customs Area will enjoy import duty and sales tax exemption up to RM10,000, subject to a minimum 48-hour stay. Exclusions include tyres and tubes, alcohol, cigarettes, tobacco products, smoking pipes and electronic cigarettes or vapes, including their liquids or gels. Treatment for Tioman, Pangkor and Pulau 1, Forest City remains unchanged.

5. Entertainment duty in the Federal Territories

Existing exemptions for selected entertainment categories will be extended for applications received by the Ministry of Finance until 31 December 2030. Full entertainment duty exemption will be granted for local cinema film screenings and local theatre performances for applications received from 1 January 2027 to 31 December 2030.

6. Events at Stadium Merdeka and Stadium Negara

From 1 January 2027, entertainment duty exemption will be extended to arts, cultural, entertainment and sporting events held at Stadium Merdeka and Stadium Negara.

Contact us

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