

# Malaysia Budget 2026 Highlights

*Fourth MADANI Budget: The Rakyat's Budget*

This commentary is based on the Budget 2026 speech on 10 October 2025 and appendices only. An update shall be provided when the Finance Bill is available.

**10 October 2025**

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**Note:** The graphics within this commentary are interactive. Please click on them to explore additional information and resources.

# Key Highlights



RM421* billion	Total Budget	RM470 billion
RM335 billion	Operating Expenditure	RM338.2 billion
RM86 billion	Development Expenditure	RM81 billion
3.8% of GDP	Fiscal Deficit Target	3.5% of GDP
1.0% - 2.0%	Inflation	1.3% - 2.0%

\*Revised to RM452 billion

## 3 Key Thrusts

Administration and Governance



Raising the Ceiling - Shift to Higher Value-added Activities



Raising the Floor - Enhance the Rakyat's Wellbeing



# Key Highlights

## Gross Domestic Product (GDP) Growth

Malaysia’s GDP is expected to expand between 4.0% to 4.8% in 2025, driven by strong domestic demand, higher household spending, and robust investments.

In 2026, the economy is expected to remain resilient in light of global uncertainty. GDP growth is forecasted between 4.0% to 4.5%, underpinned by robust domestic demand, a healthy job market and government reforms.



Sources: Ministry of Finance (MoF) and Bank Negara Malaysia

## GDP Growth by Sector

Sector	2025p	2026f
Agriculture	1.2%	2.2%
Construction	10.1%	6.1%
Manufacturing	3.8%	3.0%
Services	5.1%	5.2%
Mining and quarrying	1.1%	-1.0%

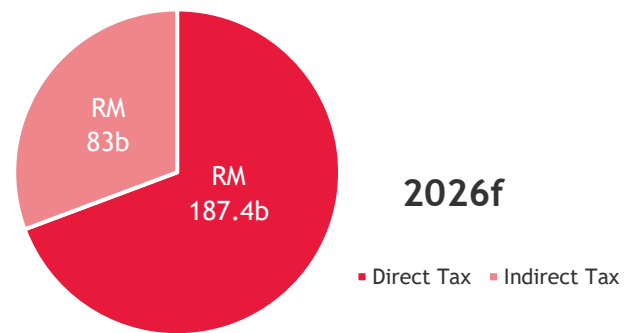
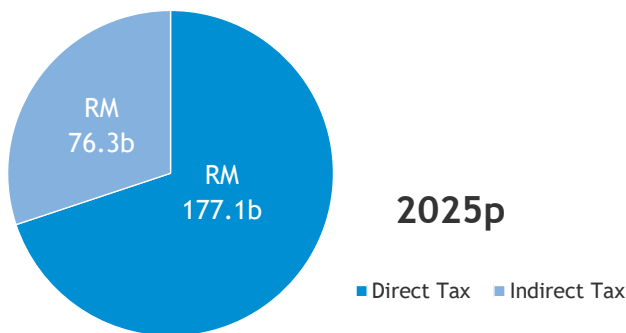
p: preliminaries | f: forecast  
Source: MoF’s Economic Outlook 2026

The services and manufacturing sectors are expected to remain the primary engines of growth in 2026.

Bolstered by the Visit Malaysia 2026 campaign, the services sector will be supported by strong tourism, vibrant retail trade, and rising business service demand.

The manufacturing sector will be fuelled by higher semiconductor demand, digital economy expansion, and wider AI adoption. These growth drivers will be reinforced by a total of RM1.5 billion in funds to boost high-value industries.

## Tax Revenues



In 2025, Malaysia’s tax revenue is the major contributor to the overall government revenue totalling RM253.4 billion or 75.8%. Direct taxes remain the dominant contributor at RM 177.1 billion while indirect taxes contribute RM 76.3 billion.

In 2026, tax revenue is expected to rise significantly to RM270.4 billion. Direct tax collection is projected to grow by 5.8% to RM187.4 billion. Meanwhile indirect taxes are anticipated to grow to RM 83 billion, driven by targeted policy measures and sustained demand.

p: preliminaries | f: forecast  
Sources: MoF’s Fiscal Outlook and Federal Government Revenue Estimates 2026

# Executive Summary

The Prime Minister and Finance Minister, Dato' Seri Anwar Ibrahim presented his speech on the Malaysian Budget for the year 2026 in Parliament on 10 October 2025 together with the Supply Bill 2026. The key thrusts for this year's budget guided by the "Ekonomi MADANI" Framework are driving good governance, raising the ceiling of national growth and raising the floor of living standards.

The speech, entitled the "Fourth MADANI Budget: The Rakyat's Budget", sets out nine key commitments based on the above themes, as follows:



**Upholding Best Governance**



**Meeting the Rakyat's Priorities**



**Achieving a High-Value Economy**



**Spurring Malaysian-Created Products**



**Strengthening National Resilience**



**Bridging the Gap, Creating Opportunities**



**Ensuring the Survival of the Rakyat**



**Strengthening Public Services**



**Building Self-Identity and Human Values**

The estimated GDP growth for Malaysia in 2025 has been revised to 4.0% - 4.8%, compared to the previous projection of 4.5% - 5.5%. For 2026, the economy is expected to grow at a lower rate of 4.0% - 4.5% reflecting the global economic uncertainty as well as continued geopolitical and geoeconomic conflicts.

Malaysia will continue to maintain its expansionary fiscal policy through a modest increase in public expenditure from RM452 billion in 2025 to RM470 billion in 2026, of which:

- ▶ RM338.2 billion is for federal operating expenditure;
- ▶ RM81 billion is for federal development expenditure;
- ▶ RM30 billion of investments by government-linked investment companies;
- ▶ RM10 billion of public-private investments; and
- ▶ RM10.8 billion of investments by federal statutory bodies and companies under the Minister of Finance, Incorporated.

However, the fiscal deficit target was reduced from 3.8% to 3.5% of GDP, showing a strong commitment to fiscal discipline.

Notable tax measures and policies announced in the speech include:

- ▶ Imposition of a 2% tax on profit distributions exceeding RM100,000 per year received by partners in a limited liability partnership.
- ▶ Tax incentive for training in artificial intelligence.
- ▶ Enhancing tax incentives for venture capital with special tax rates for 10 years and dividend tax exemption.
- ▶ Tax incentives for the tourism industry:
  - Tax deduction of up to RM500,000 for tourism project operators who incur qualifying expenditure to renovate and refurbish their business premises.
  - 100% tax exemption on the value of incremental income from inbound tour packages for tour operator companies.
  - 100% tax exemption on the statutory income of companies, associations or organisations from organising international conferences, trade exhibitions, or incentive trips.
  - 50% tax exemption on the statutory income of companies from organising international arts, cultural, tourism, sports and recreational activities involving foreign participants.



## Executive Summary

- ▶ Increase in the rate of stamp duty from 4% to 8% on instruments of transfer for residential homes by non-citizens (except permanent residents) and foreign companies.
- ▶ Extension of the tax exemption on foreign dividends and gains from the disposal of foreign capital assets received by resident companies, limited liability partnerships, cooperative societies and trust bodies as well as foreign source income of unit trusts.

The above as well as other tax measures announced in the speech will be covered in this publication.

- Our [BDO Tax Seminar on Budget 2026](#) will be held on:
- ▶ 4 November 2025 (One World Hotel, Petaling Jaya)
  - ▶ 6 November 2025 (Eastern & Oriental Hotel, Penang)
  - ▶ 11 November 2025 (Amari Hotel, Johor Bahru)

In our seminars, we will be sharing our expert insights on Budget 2026 and other selected tax topics. Join us to stay informed on the latest tax developments that will impact you and your businesses.



*Budget 2026 strikes a strategic balance between fiscal resilience and economic inclusivity, reaffirming the Government's commitment to growth that uplifts all Malaysians. The tax measures and incentives announced will help in fostering an environment conducive to innovation, investment, and long-term prosperity.*



**David Lai**  
Executive Director,  
Head of Tax Advisory  
BDO in Malaysia



# Corporate Tax

## Review of Tax Exemption on Income Received from Outside Malaysia

- ▶ Currently, tax exemptions are given on the following:
  - Foreign-sourced income (FSI) in respect of dividend income received in Malaysia by a company or limited liability partnership (LLP) until 31 December 2026.
  - All FSI received in Malaysia by a unit trust until 31 December 2026.
  - Gains from the disposal of capital assets arising from outside Malaysia received in Malaysia by a company, LLP, trust body or co-operative society until 31 December 2026.
- ▶ It is proposed that:
  - The tax exemption on FSI in respect of dividend income received in Malaysia be expanded to include cooperative societies and trust bodies.
  - The tax exemption on the abovementioned FSI and gains from the disposal of capital assets arising from outside Malaysia received in Malaysia be extended for another 4 years.
- ▶ Effective from 1 January 2027 to 31 December 2030.

### Comments:

*This proposal aims to encourage the repatriation of funds from investments abroad into the country.*

## Review of Income Tax Deduction for Cost of Listing on Bursa Malaysia

- ▶ Existing tax deduction of up to **RM1.5 million** on listing expenses incurred by technology-based companies and Micro, Small and Medium Enterprises (MSMEs) for listing on Bursa Malaysia's Main Market, Access, Certainty, Efficiency (ACE) Market and Leading Entrepreneur Accelerator Platform (LEAP) Market shall be extended for another period of 5 years and expanded to include MSMEs in the energy and utilities sector.
- ▶ Effective from YA 2026 until YA 2030.

## Extension of Income Tax Exemption for Social Enterprises

- ▶ Social Enterprises accredited by the Ministry of Entrepreneur and Cooperatives Development (MECD) are given income tax exemption on all income for up to three consecutive YAs. The exemption, which is now available for applications received by the Ministry of Finance (MOF) up to 31 December 2025, is proposed to be extended until 31 December 2028.
- ▶ Effective date: For applications received from 1 January 2026 to 31 December 2028.

### Comments:

*This proposal is to support the development of social entrepreneurship, create job opportunities and reduce dependency on government assistance.*

# Corporate Tax

## Review of Income Tax Exemption on Sustainable and Responsible Investment (SRI) Sukuk and Bond Grant Scheme

- ▶ Currently, tax exemption is given on grants received by SRI sukuk issuers from the Securities Commission Malaysia (SC), from 1 January 2018 to 31 December 2025. The grant intended to finance 90% of the external review expenses incurred in issuing the sukuk, subject to a maximum amount of RM300,000.
- ▶ It is proposed that:
  - The grant allocation for external review expenses be increased from 90% to 100% (subject to a maximum grant amount of RM300,000);
  - The scope of eligible financial instruments be expanded to include sukuk and bonds that conform to the ASEAN Taxonomy for Sustainable Finance; and
  - The tax exemption be extended for another 3 years.
- ▶ Effective date: For applications for SRI Sukuk and Bond Grant Scheme received by SC from 1 January 2026 to 31 December 2028.

### Comments:

*The proposal aims to encourage the issuance of SRI sukuk and bonds that conform to green, social and sustainability standards in Malaysia.*



## Tax Treatment for Public University Teaching Hospitals Endowment Funds

- ▶ Tax deduction under Section 44(11D) of the Income Tax Act, 1967 (Income Tax Act) is given for cash contributions to endowment funds established by public university teaching hospitals, provided that the endowment funds are governed and managed solely by the public university teaching hospitals in line with the prescribed guidelines. Contributions received including the income generated from the endowment funds are exempt from income tax.
- ▶ Effective date: From YA 2026.

## Accelerated Capital Allowance (ACA) on Capital Expenditure for Plant, Machinery and Information and Communication Technology (ICT) Equipment

- ▶ To further promote local investment and speed up digital technology adoption, it is proposed that companies can claim ACA (20% initial allowance and 40% annual allowance) on the following expenditure:
  - i) Heavy machinery acquired from local manufacturers;
  - ii) Plant and general machinery acquired from local manufacturers;
  - iii) ICT equipment and computer software; and
  - iv) 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.

# Corporate Tax

## Tax Incentive for Training in Artificial Intelligence (AI)

- ▶ A further deduction of 50% once in 2 years shall be given to MSMEs on expenses incurred for AI training recognised by the MyMahir National AI Council for Industry (NAICI).
- ▶ Effective date: For applications received by TalentCorp from 1 January 2026 to 31 December 2027.

### Comments:

*This is to encourage the adoption of AI in business operations.*

## Tax Deduction on Costs of Renovation and Refurbishment for Tourism Projects

- ▶ Renovation and refurbishment work undertaken by tourism project operators registered with Ministry of Tourism, Arts and Culture (MOTAC) for business purposes shall be given a tax deduction of **up to RM500,000** on qualifying expenditure.
- ▶ Effective date: For qualifying expenditure incurred from 11 October 2025 to 31 December 2027.

### Comments:

*The above proposal is part of the incentives announced in conjunction with Visit Malaysia Year 2026.*

## Tax Incentive for Organising International Incentive Trips, Conferences and Trade Exhibitions

- ▶ To further promote Visit Malaysia Year 2026, organisers verified by MOTAC will enjoy 100% income tax exemption if they bring in at least:
  1. **1500** foreign participants for incentive trips annually; or
  2. **2000** foreign participants for conferences annually; or
  3. **3000** foreign participants for trade exhibitions annually.
- ▶ Effective date: For YAs 2026 and 2027.

## Review of Tax Incentive for Organising Arts, Cultural, Sports and Recreational Activities

- ▶ Currently, 50% income tax exemption is given to organisers of the following approved activities:
  - arts and cultural activities approved by MOTAC and held at Istana Budaya, National Art Gallery or Dewan Filharmonik Petronas; and
  - international sports and recreational competitions approved by the Ministry of Youth and Sports (KBS).
- ▶ This tax incentive shall be extended for another 2 years, with the scope expanded to include tourism activities approved by MOTAC (excluding concert performances), and the venue for arts, cultural, and tourism activities broadened to include any location in Malaysia approved by MOTAC.
- ▶ Effective date: From YA 2026 to YA 2027.

### Comments:

*The proposal aims to encourage the organising of arts, cultural, tourism, international sports and recreational activities in conjunction with Visit Malaysia Year 2026.*

# Corporate Tax

## Tax Incentive for Tour Operators

- ▶ Tour operators shall be given 100% tax exemption on the incremental income derived from inbound tourism packages, subject to the following conditions:
  1. the operator must bring in at least **1,000** foreign tourists annually; and
  2. the incremental income refers to the difference between the qualifying business income of inbound tourism packages during the basis period and that of the preceding basis period.
- ▶ Effective date: For YAs 2026 and 2027.

### Comments:

*The above proposal is part of the incentives announced in conjunction with Visit Malaysia Year 2026.*

## Tax Deduction for Cash Contributions to Department of Museums Malaysia

- ▶ Individuals and companies are eligible to claim tax deduction for cash contributions made to the Department of Museums Malaysia's Trust Account.
- ▶ Effective date: To be announced.

## Review of Tax Incentive for Venture Capital

- ▶ The current tax incentives for venture capital shall be reviewed as follows:
  1. Venture Capital Company (VCC)
    - a) A corporate tax rate of **5%** imposed on all income except 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.
    - b) The tax incentive is given for up to 10 years or for the remaining life of the fund starting from the year the VCC obtains its first certification from the SC, provided the first certification by SC must be obtained no later than 31 December 2035.
    - c) The tax incentive is expanded to include entities incorporated under the Limited Liability Partnerships Act 2012 and the Labuan Limited Liability Partnerships Act 2010 that elect to be taxed under the Income Tax Act.
  2. Venture Capital Management Company (VCMC)
    - a) A corporate tax rate of **10%** is imposed on income derived from the share of profits, management fees and performance fees from YA 2025 to YA 2035.
  3. Individual Shareholder of VCC
    - a) Tax exemption on dividends paid, credited or distributed to individual shareholders at the first level from YA 2025 to YA 2035.
- ▶ Effective date: From YA 2025.



# Corporate Tax

## Review of Tax Incentive for Scholarships

- ▶ The scope of existing double deduction for scholarships provided by companies to students who are Malaysian citizens be reviewed as follows:
  - i) Students must be pursuing either Sijil Teknik Vokasional, Diploma, Bachelor's Degree or qualified professional certification courses;
  - ii) Household income requirement for student's parents / guardians is increased from not more than RM10,000 per month to not more than RM15,000 per month; and
  - iii) The deduction is extended for another 5 years.
- ▶ Effective date: From YA 2026 to 2030.

## Tax Incentive for Training of Care Worker

- ▶ Double tax deduction is given to companies for sponsoring training for disabled persons registered with the Ministry of Women, Family and Community Development (KPWKM) who are not their employees. This double deduction shall be expanded to include the sponsorship of care workers (who are not employees) to undergo training programmes in institutions recognised by KPWKM.
- ▶ Effective date: For YAs 2026 and 2027.

### Comments:

*The above proposal aims to fulfil the need for quality care services for the elderly, children with special needs and disabled persons.*

## Review of Tax Incentive for Employing Vulnerable Persons

- ▶ Currently, further tax deduction is given to employers on the employment costs of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants, inmates and ex-inmates of Henry Gurney School under the Malaysian Prison Department and cure and care rehabilitation centres as well as non-governmental care centres registered under the Department of Social Welfare until YA 2025.
- ▶ This further deduction shall be extended for another 5 years and be expanded to include the employment of 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 date: From YA 2026 to YA 2030.

## Extension of Tax Incentive for Employing Senior Citizens

- ▶ Further tax deduction is given to employers hiring senior citizens aged 60 years and above, subject to certain conditions until YA 2025.
- ▶ The further deduction shall be extended for another 5 years.
- ▶ Effective date: From YA 2026 to YA 2030.

### Comments:

*The proposal aims at ensuring that senior citizens remain active, achieve financial independence as well as continue contributing to the nation's economic development.*

# Corporate Tax

## Accelerated Capital Allowance (ACA) on the Cost of Purchasing Speed Limitation Devices (SLD) for Heavy Vehicles

- ▶ ACA consisting of a **20%** initial allowance and an **80%** annual allowance is given for the purchase of SLD of 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 the replacement of SLD.
- ▶ Effective date: For SLD installations carried out from 1 January 2026 to 31 December 2026.

### Comments:

*The above proposal is in line with the Government's efforts in reducing road accidents through the installation of SLD.*

## Development of National Sports Activities

- ▶ To encourage the development of national sports activities, organisations approved by the Inland Revenue Board of Malaysia (IRBM) are allowed to use part of the income received to carry out sport activities.
- ▶ Effective date: To be announced.

## Introduction of Carbon Tax in 2026

- ▶ Malaysia will introduce Carbon Tax next year, starting with the iron, steel, and energy sectors. It will be aligned with the National Carbon Market Policy and the upcoming National Climate Change Bill.
- ▶ Effective date: To be announced.

### Comments:

*The above proposal is part of the National Energy Transition Roadmap (NETR) with the aim of reducing the carbon footprint in the country.*

## Income Tax Exemption for Hospital Welfare Funds

- ▶ To encourage private hospitals to assist underprivileged patients in obtaining healthcare services, private hospitals are allowed to establish Hospital Welfare Funds to be managed by a company limited by guarantee.
- ▶ It is proposed that income of the Funds be exempted from tax, and that donors contributing to the Funds be eligible to claim tax deduction on the donations made.
- ▶ Effective date: To be announced.



# Corporate Tax

## Income Tax Deduction on Contributions for Integrity and Anti-Corruption Programmes/Activities

- ▶ In line with the implementation of the National Anti-Corruption Strategy 2024-2028, it is proposed that:
  - Anti-corruption education programmes organised by the Civil Society Organisations (CSO) be approved as national interest projects under Section 44(11C) of the Income Tax Act, subject to conditions to be met.
  - Tax deduction be given on cash donations made to the approved anti-corruption education programmes organised by CSO, restricted to 10% of Aggregate Income.
- ▶ Effective date: For applications received by the Ministry of Finance (MOF) from 1 January 2026 to 31 December 2028.

## Tax Deduction on Renovation and Conversion of Commercial Buildings to Residential Premises

- ▶ A special tax deduction of **10%** is proposed to be granted on qualifying expenses incurred for the renovation and conversion of commercial buildings to residential premises where the tax deduction is capped at **RM10 million.**
- ▶ Effective date: To be announced.

# Personal Tax



## Imposition of Tax on Profit Distributions Received by Partners in a Limited Liability Partnership (LLP)

- ▶ Tax of 2% will be imposed on chargeable income from profit distributions from LLP (after taking into account allowable relief and deduction) received by resident and non-resident individual partners with annual profit distributions exceeding RM100,000 based on the formula below:

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

**A** - Profit distributions received from LLP (deemed as statutory income of partners)

**B** - Aggregate income of partners

**C** - Chargeable income of partners

**D** - Chargeable profit distributions from LLP

- ▶ Effective from YA 2026.

### Comments:

*This proposal aims to align the income tax treatment for partners of an LLP with the 2% dividend tax for individual shareholders of a company as proposed in Budget 2025.*

## Expansion of Tax Relief for Medical Expenses for Self, Spouse and Child and Increase in Relief for Early Intervention Programme

- ▶ Total tax relief up to RM10,000 given on medical expenses include the following:
  - Vaccination expenses limited to RM1,000 be expanded to cover all vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency, Ministry of Health.
  - RM6,000 → RM10,000** on expenses incurred for children aged 18 years and below in respect of assessment for purposes of diagnosis, early intervention programme or rehabilitation treatment for learning disabilities.
- ▶ Effective from YA 2026.

### Comments:

*This proposal aims to encourage public on disease prevention and further support early intervention programmes and rehabilitation treatment for children with learning disabilities.*

# Personal Tax

## Tax Relief on Entrance Fees to Tourist Attractions and Cultural Programmes

- ▶ Tax relief of up to **RM1,000** be given for the following entrance fees:
  - i) Tourist attraction such as museums, theme parks, national parks, marine parks, zoos and geoparks; and
  - ii) Cultural and art programmes.
- ▶ Effective from YA 2026.

### Comments:

*This proposal aims to boost the tourism industry in conjunction with Visit Malaysia Year 2026.*

## Expansion of Tax Relief for Child Care Centre

- ▶ The scope of tax relief of **RM3,000** 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 from YA 2026.

### Comments:

*This proposal aims to support working parents requiring childcare and after-school transit facilities.*

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

- ▶ The existing relief up to **RM2,500** 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 relief is allowed to be claimed once within 2 YAs.
- ▶ Effective from YA 2026 to YA 2027.

### Comments:

*This proposal aims to promote sustainable and safe lifestyle through the adoption of green technology and smart safety systems.*

# Personal Tax

## Expansion of Tax Relief for Takaful or Payment of Life Insurance or Voluntary Contribution to Approved Provident Fund

- ▶ Tax relief for life insurance premiums or takaful contributions up to RM3,000 for self, husband / wife be expanded to include children with following eligibility criteria:
  - i) Age below 18 and unmarried;
  - ii) Aged 18 and above, unmarried and pursuing tertiary education; or
  - iii) No age limit for unmarried disabled children.
- ▶ Effective from YA 2026.

### Comments:

*This proposal aims to encourage the uptake of life insurance or takaful contributions for children.*

## Tax Deduction on Donation to National Museum

- ▶ Tax deduction be given to individuals on contributions made to “Akaun Amanah Jabatan Muzium Malaysia”.
- ▶ Effective Date: To be determined.

### Comments:

*This proposal aims to encourage contribution to refurbish the National Museum.*



# Indirect Tax

## Enhancement of Enforcement Activities by the Royal Malaysian Customs Department (RMCD)

- ▶ RMCD will introduce the following measures:
  - Digital tax stamps equipped with advanced security features.
  - Centralised Screening Complex (CSC) CCTV system, which serves to strengthen monitoring and mitigate potential revenue leakages at the nation's entry points.
- ▶ Effective date: To be determined.

## Limitation on Vehicle Tax Exemption in Langkawi and Labuan

- ▶ Vehicle tax exemptions in Langkawi and Labuan are limited to motor vehicles with a value not exceeding RM300,000.
- ▶ Effective date: 1 January 2026.

### Comments:

*To prevent abuse by vehicle owners in Langkawi and Labuan who have taken advantage of the rule allowing cars to leave duty-free zones for up to 90 days a year, tax exemptions will now be limited to vehicles valued at RM300,000 or below (before taxes), effectively excluding luxury cars.*

## Extension of Excise Duty and Sales Tax Exemptions for Licensed Taxi Owners & Private Hire Car Operators

- ▶ Taxi and private hire car drivers will be entitled to 100% excise duty and sales tax exemptions for the purchase of new Proton or Perodua models.
- ▶ Effective date: Pending further policy announcement from the Ministry of Finance (MOF).

### Comments:

*This policy is designed to support and boost the country's tourism sector by encouraging taxi owners and private hire car operators to purchase locally made vehicles, thereby also strengthening the national automotive industry. This follows a similar incentive introduced under the retabled Budget 2023 for the transportation sector.*

# Indirect Tax

## Increase in Excise Duty Rates on Tobacco Products

► The excise duty rates on cigarette products will be increased in phases, as follows:

Tobacco Products	Tariff Codes	Excise Duty Rates	
		Current Rate(s)	Proposed Rate(s)
Cigarettes	2402.20.2000 2402.20.9000 2402.90.2000	RM0.40 per stick @ RM8.00 per packet	RM0.42 per stick @ RM8.40 per packet
Cigars, Cheroots and Cigarillos	2402.10.0000 2402.90.1000	RM400.00 per kg	RM440.00 per kg
Heated Tobacco Products	2404.11.0000	RM778.00 per kg of tobacco content	RM798.00 per kg of tobacco content

► Effective date: 1 November 2025

### Comments:

*The increase in excise duty on cigarettes aims to reduce smoking and improve public health in line with Malaysia's commitment to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC). The additional revenue will support the Ministry of Health's initiatives, including lung health and chronic disease treatments. While higher prices may discourage smoking, they could also drive demand for illicit cigarettes, making strict enforcement essential to achieve the intended health outcomes.*



# Indirect Tax

## Extension of Import Duty and Sales Tax Exemptions on Nicotine Replacement Therapy (NRT) Products

- ▶ The import duty and sales tax exemptions on NRT products to be extended and expanded to cover nicotine mist and nicotine lozenges as follows:

Products	Tariff Code	Import Duty	Sales Tax	Current	Proposed
Nicotine Gum	2404.91.1000	15%	5%	Import duty and sales tax exemption from 1 April 2023 to 31 March 2026.	Import duty and sales tax to be extended until 31 December 2027.
Nicotine Patch	2404.92.1000	0%	10%		
Nicotine Mist	2404.91.9000	15%	5%	Not applicable.	Import duty and sales tax exemption from 11 October 2025 to 31 December 2027.
Nicotine Lozenges		0%	10%		

- ▶ Effective date: For applications received by the MOF from 11 October 2025 to 31 December 2027.

### Comments:

*This measure supports Malaysia's commitment to the WHO FCTC by strengthening the mQuit programme and Lung Health Initiative. Extending import duty and sales tax exemptions to nicotine mist and lozenges will expand access to nicotine replacement therapies to enhance smoking cessation success rates.*



# Indirect Tax

## Increase in Excise Duty Rate on Alcoholic Beverage

- ▶ The excise duty rates on alcoholic beverage products will be increased by 10%, as follows:

Product Description	Tariff Codes	Excise Duty Rates (RM per 100% volume per litre)	
		Current Rate(s)	Proposed Rate(s)
Beer	22.03	RM 175.00	RM 192.50
Sparkling wine	2204.10.000	RM 450.00	RM 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	RM 150.00	RM 165.00
Cider & 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	RM 60.00	RM 66.00
Samsu (including medicated samsu)	2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	RM 60.00	RM 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	RM 40.00	RM 44.00
Undenatured ethyl alcohol	2207.10.0000	RM 22.50 + 15.00%	RM 24.75 + 16.50%
Ethyl alcohol and other spirits	2207.20	RM 1.10 + 15.00%	RM 1.21 + 16.50%

- ▶ Effective date: 1 November 2025

### Comments:

*The increase in excise duty on alcoholic beverages aims to reduce accessibility to promote healthier lifestyles, with additional revenue channelled to the Ministry of Health for initiatives such as the Lung Health Initiative and treatment of diabetes and heart disease. While the higher duty will raise production costs and likely lead to price increases, it may also discourage consumption. However, strong enforcement is essential to prevent a shift toward illicit alcohol and ensure the policy achieves its intended public health outcomes.*

# Stamp Duty



## Review of Wage Threshold for Stamp Duty Exemption on Employment Contracts

- ▶ The wage threshold for stamp duty exemption on employment contracts is increased from RM300 per month to RM3,000 per month.
- ▶ Effective date: For employment contracts executed from 1 January 2026.

### Comments:

*This is part of the government's broader strategy to reduce the cost of doing business.*

## Review of Stamp Duty on Property Ownership by Non-citizens

- ▶ The fixed stamp duty rate on the instruments of transfer of residential homes executed by non-citizen individuals (except for Malaysian permanent residents) and foreign companies is increased from 4% to 8%.
- ▶ Effective date: For instruments of transfer of residential homes executed from 1 January 2026.

### Comments:

*This may deter foreign speculative investments for residential homes thereby making Malaysian residential homes more accessible to Malaysian citizens and permanent residents.*

## Extension of Stamp Duty Exemption for the Purchase of First Residential Home

- ▶ The existing 100% stamp duty exemption on instruments of transfer and loan agreements for the purchase of first residential homes priced up to RM500,000 is proposed to be extended for 2 years.
- ▶ Effective date: For sale and purchase agreements executed from 1 January 2026 to 31 December 2027.

### Comments:

*This extension aims to encourage Malaysian citizens to own their first residential home.*

## Exemption of Stamp Duty on Contract Notes for Buy-side Transaction of Structured Warrants

- ▶ Stamp duty exemption shall be given on contract notes for buy-side structured warrant transactions for 3 years.
- ▶ Effective date: For transactions executed from 1 January 2026 to 31 December 2028.

### Comments:

*The proposed stamp duty exemption aims to promote the growth of the capital markets in Malaysia.*

# Stamp Duty

## Extension of Stamp Duty Exemption on Insurance Policies for Takaful Certificates with Low Annual Premium / Contribution

- ▶ The current 100% stamp duty exemption on insurance policies or takaful certificates with low annual premiums or contributions is proposed to be extended for 3 years.
- ▶ Effective date: For insurance policies or takaful certificates issued from 1 January 2026 to 31 December 2028.

### Comments:

*This is to enhance accessibility and encourage more individuals and Micro, Small and Medium Enterprises (MSMEs) to obtain basic insurance or takaful protection against risks such as fire, travel and personal accidents.*

## Extension of Stamp Duty Exemption for Perlindungan Tenang Products

- ▶ The current 100% stamp duty exemption on insurance policies and takaful certificates for all Perlindungan Tenang products is proposed to be extended for 3 years.
- ▶ Effective date: For Perlindungan Tenang insurance policies and takaful certificates issued from 1 January 2026 to 31 December 2028.

### Comments:

*This is to further encourage more individuals from low and middle-income groups to obtain protection through affordable insurance and takaful products.*

## Extension of Stamp Duty Exemption on Contract Notes for Exchange Traded Funds (ETF) Listed on Bursa Malaysia

- ▶ The stamp duty exemption on contract notes for ETF transactions is proposed to be extended for 3 years.
- ▶ For ETFs transactions from 1 January 2026 to 31 December 2028.

### Comments:

*This is to further strengthen Malaysia's capital markets and promote alternative investment vehicles that offer greater cost efficiency and transparency.*



# Tax Incentives

## Strategic Investment Measures under Ekonomi MADANI

- ▶ To navigate global economic uncertainties, the government is introducing a targeted investment strategy focused on attracting high-impact and value-driven investments.

### i) Facilitating Talent Mobility

- Access to skilled talent is essential for business growth and competitiveness. To support this, the government is introducing the following initiatives to streamline entry processes and improve workforce mobility, making it easier for companies to attract and retain the expertise they need:
  - ▶ ASEAN Business Entity (ABE)
    - Administered by the Securities Commission, ABE status will be granted to listed companies with a strong ASEAN footprint and mid-tier firms with expansion potential. It aims to enhance cross-border talent mobility and support regional growth.
  - ▶ Investor Pass
    - Managed by the Malaysian Investment Development Authority (MIDA), the Investor Pass offers a Multiple Entry Visa valid for up to 12 months. MIDA will proactively engage strategic investors, particularly in priority sectors such as Electrical & Electronics.

### ▶ Residence Pass-Talent Fast Track

- The Residence Pass-Talent Fast Track initiative is designed to streamline the process for strategic investors to bring in essential talent. Key enhancements include an exemption from the standard three-year Employment Pass requirement.

### ii) Strategic Zones and Incentives

- Malaysia is strengthening its position through targeted incentives in designated economic zones, aimed at attracting strategic investments and enhancing the country's competitiveness. These zones offer tailored benefits to support high-value activities, promote innovation, and stimulate regional economic development.
- The Forest City Special Financial Zone (SFZ) is emerging as a key driver of Malaysia's financial services ecosystem. To date, six Family Offices have been approved under the Single Family Office (SFO) Incentive Scheme, collectively managing nearly RM400 million in assets. With thirty more applications in progress, Malaysia is on track to reach RM2 billion in Assets Under Management (AUM) by the end of 2026.



# Tax Incentives

## Strategic Investment Measures under Ekonomi MADANI (cont'd)

- iii) New Outcome-Based Investment Incentive Framework
- The government is introducing a new investment incentive framework aimed at aligning with national priorities and global tax developments.
  - This framework is designed to support high-growth sectors, foster high-value employment, and reduce regional economic disparities. While the Ministry of Investment, Trade and Industry (MITI) had initially targeted the release of detailed guidelines by the third quarter of 2025, these have yet to be issued. The guidelines are expected to provide clarity on implementation timelines, eligibility criteria, and the specific outcomes under the results-driven approach.
  - Implementation of the new framework will take place in phases, beginning with a pilot phase running until the end of 2025. The manufacturing sector is scheduled to adopt the framework in the first quarter of 2026, followed by the services sector in the second quarter. Businesses and investors are encouraged to stay informed as MITI finalises the framework to support strategic, high-value investments across priority sectors.

### Comments:

*Under the Ekonomi MADANI framework, Malaysia is advancing a results-driven investment strategy focused on attracting high-impact, value-adding investments. By simplifying processes for investors, enhancing talent mobility, and offering targeted incentives in strategic zones, the government aims to strengthen Malaysia's competitiveness and economic resilience. The introduction of a new outcome-based investment incentive framework further aligns investment priorities with national development goals, ensuring long-term benefits for businesses and the rakyat.*

## Shaping the Future of the Islamic Economy

- ▶ As the global financial landscape evolves, the government is taking proactive steps to ensure the Islamic financial system remains agile, forward-looking, and aligned with contemporary needs. This transformation is part of a broader commitment to strengthen Islamic finance as a key driver of inclusive economic growth and the well-being of the *ummah* (global Muslim community).
  - i) Innovative Financing Models
    - New structures based on Islamic principles such as *musyarakah* (risk-sharing) and *murabahah* (cost-plus financing) are being promoted alongside blended finance mechanisms.
  - ii) Digital Islamic Finance Hub
    - Labuan International Business and Financial Centre (Labuan IBFC) is set to evolve into a leading Digital Islamic Finance Hub. As part of this vision, the Global Sukuk Tokenisation Initiative will be launched to enable sukuk to be digitised and traded transparently on retail digital exchanges within Labuan IBFC. In support of sustainable finance, Climate Sukuk will also be introduced to fund green projects, with returns distributed in the form of carbon credit dividends. Further details from the relevant authorities are expected in due course.
  - iii) Social Finance and Capacity Building
    - The government is scaling up social finance initiatives to support micro-entrepreneurs and low-income communities. The iTEKAD programme will be expanded with RM35 million in matching grants to enhance skills and improve income stability of micro-entrepreneurs.
- ▶ Effective date: To be determined.



# Tax Incentives

## Tax Incentives and Capital Allowance for Green Technology Adoption

- ▶ To accelerate Malaysia's transition to a low-carbon economy, the government is introducing enhanced tax incentives for businesses investing in certified green technologies.
    - Green Investment Tax Allowance (GITA) Asset for Own Consumption
      - ▶ Companies that acquire locally manufactured green technology assets (certified under the MyHIJAU Mark) for their own consumption will be eligible for a 100% GITA.
      - ▶ Eligible Green Assets
        - i) Examples of green technology assets that may qualify under the MyHIJAU Mark include:
          - Solar photovoltaic (PV) systems
          - Energy-efficient lighting (e.g., LED systems)
          - High-efficiency air conditioning and chillers
          - Electric vehicles and charging infrastructure
          - Rainwater harvesting systems
          - Wastewater treatment and recycling systems
          - Green-certified building materials
        - ii) These assets must meet stringent environmental performance standards and be certified by recognised bodies under the MyHIJAU framework.
- ▶ Effective date: To be determined.

### Comments:

*This initiative supports Malaysia's environmental sustainability goals while also enhancing business competitiveness by reducing operational costs and expanding access to green financing and sustainable procurement opportunities.*



# Tax Incentives

## Tax Incentive for Food Security Projects: Enhancing Support for Sustainable Agriculture

- ▶ To strengthen national food security and encourage greater private sector participation in agriculture, the government is proposing the following enhancements to the existing tax incentive framework for food production projects.
  - Rebranding: The scheme will be renamed as the Tax Incentive for Food Security Projects, reflecting a broader focus on national food resilience.
  - Scope of Tax Exemption:
    - ▶ New Projects: 100% income tax exemption on statutory income for 10 years, now specifically tied to income derived from domestic market sales.
    - ▶ Expansion Projects: Maintain a 100% income tax exemption for 5 years, also limited to income from domestic market sales.
- ▶ Effective date: Applications to Ministry of Agriculture and Food Security (KPKM) from 1 January 2026 to 31 December 2030.

### Comments:

*These enhancements aim to strengthen Malaysia's food security agenda by encouraging strategic investments that bolster the domestic food supply, while offering long-term fiscal clarity and confidence to agribusinesses and investors.*

## Strengthening Tax Incentives for Livestock Farming Automation

- ▶ To ensure continuity and enhance the effectiveness of Malaysia's tax incentive framework for the livestock sector, the government has proposed an expansion of the Tax Incentive for Automation in the Agriculture Sector. Under this proposal, chicken rearing activities using the closed-house system will be explicitly included within the scope of eligible automation initiatives.
- ▶ Effective date: Applications to KPKM from 1 January 2026 to 31 December 2027.

### Comments:

*This enhancement is intended to sustain support for the closed-house system, which was previously scheduled to lapse on 31 December 2025. By extending the incentive, the government aims to promote greater adoption of modern farming technologies, improve biosecurity standards, and reinforce national food security objectives.*

## Extension of Tax Incentive for Commercialisation of Research and Development (R&D) Findings

- ▶ Currently, tax deduction is given to companies investing in subsidiary companies that commercialise non-resource-based R&D findings by public research institutions or public or private institutes of higher learning in Malaysia for 5 years from 7 November 2020 to 31 December 2025 pursuant to Income Tax (Deduction for Investment in a Project of Commercialisation of R&D Findings) Rules 2022.
- ▶ The tax deduction will be extended for 5 years.
- ▶ Effective date: Applications to MIDA between 1 January 2026 and 31 December 2030.



# Glossary of Acronyms

<b>ABE</b>	ASEAN Business Entity
<b>AI</b>	Artificial intelligence
<b>ACA</b>	Accelerated capital allowance
<b>CGT</b>	Capital gains tax
<b>DTA</b>	Double Taxation Agreement
<b>ETF</b>	Exchange Traded Funds
<b>ETP</b>	Estimate of tax payable
<b>FSI</b>	Foreign-sourced income
<b>GDP</b>	Gross Domestic Product
<b>ITA</b>	Investment tax allowance
<b>Income Tax Act</b>	Income Tax Act, 1967
<b>IRBM</b>	Inland Revenue Board Malaysia
<b>LBATA</b>	Labuan Business Activity Tax Act, 1990
<b>LLP</b>	Limited liability partnership
<b>LVG</b>	Low value goods
<b>MSMEs</b>	Micro, small and medium enterprises
<b>MIDA</b>	Malaysian Investment Development Authority
<b>MITI</b>	Ministry of Investment, Trade and Industry
<b>MOF</b>	Ministry of Finance
<b>MOTAC</b>	Ministry of Tourism, Arts and Culture
<b>NRT</b>	Nicotine Replacement Therapy
<b>OAS</b>	Official-Assessment System
<b>RMCD</b>	Royal Malaysian Customs Department
<b>RPGT Act</b>	Real Property Gains Tax Act, 1976
<b>RPGT</b>	Real property gains tax
<b>RPC</b>	Real property company
<b>RM</b>	Ringgit Malaysia
<b>SC</b>	Securities Commission Malaysia
<b>SRI</b>	Sustainable and Responsible Investment
<b>Stamp Act</b>	Stamp Act, 1949
<b>VCC</b>	Venture Capital Company
<b>WHO</b>	World Health Organisation
<b>WHO FCTC</b>	WHO Framework Convention on Tobacco Control
<b>YA</b>	Year of assessment
<b>YAs</b>	Years of assessment



# BDO Tax Seminar on Budget 2026

Growth, Governance & Reform



Tuesday, 4 November 2025  
09:00am - 05:30pm



One World Hotel,  
Bandar Utama

**Kuala Lumpur**

[Click Here To Register](#) ▶

## Special Guest Speaker

- ▶ MoF's Perspective on Budget 2026



**Ybhg. Datuk Johan Mahmood Merican**

Secretary-General of Treasury  
Ministry of Finance Malaysia

## Guest Speakers

- ▶ New Investment Incentive Framework by MIDA & JS-SEZ
- ▶ Latest SST Updates and Practical Impact
- ▶ Analysing Recent Landmark Tax Cases



**Ybhg. Datuk Sikh Shamsul Ibrahim Sikh Abdul Majid**

Chief Executive Officer  
Malaysian Investment  
Development Authority (MIDA)



**Siti Salasiah binti Wan**

Deputy Director of  
Customs, RMCD



**Saravana Kumar**

Partner, Head of Tax  
SST & Customs  
RDS Partnership

## BDO Moderators



**Beh Tok Koay**

Senior Advisor, Tax



**Chia Swee How**

Executive Director



**Chan Kwan Yee**

Executive Director

## BDO Tax Speakers

- ▶ Malaysia Budget 2026: Key Tax Changes & Implications
- ▶ Updates on CGT, FSI and Stamp Duty
- ▶ Transfer Pricing Documentation (TPD) Exemption Navigator



**David Lai**

Executive Director &  
Head of Tax Advisory



**Koo Kian Ming**

Executive Director



**Tan Chin Teck**

Executive Director

- ▶ Malaysia Tax Enforcement Trend - AI and Big Data



**Christopher Low**

Executive Director



**Yap Mei Sei**

Executive Director



**Soh Pin Tau**

Executive Director



**Yong Mee Thing**

Executive Director

# BDO Tax Seminar on Budget 2026

Growth, Governance & Reform



Thursday, 6 November 2025  
09:00am - 05:30pm



Eastern & Oriental Hotel,  
Lebuh Farquhar, Penang

Penang

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## Guest Speakers

► Analysing Recent Landmark Tax Cases



**Nur Amira Ahmad Azhar**  
Partner  
RDS Partnership

► Latest SST Updates and Practical Impact



**Tuan Tan Sing Chai**  
Assistant Director of  
Customs, RMCD

► New Investment Incentive Framework



**Puan Nik Norhidayatul  
Suhada Bt Abd Rashid**  
Assistant Director of  
Customs, RMCD

*Speaker from MIDA to  
be announced soon*

## BDO Moderators



**Chia Swee How**  
Executive Director



**Chan Kwan Yee**  
Executive Director

## BDO Tax Speakers

► Malaysia Budget 2026: Key Tax Changes & Implications



**Lee Boon Hooi**  
Executive Director



**Yeap Lay Suat**  
Executive Director

► Updates on Capital Gains Tax (CGT), Foreign Source Income (FSI) and Stamp Duty



**David Lai**  
Executive Director &  
Head of Tax Advisory

► Malaysia Tax Enforcement Trend - AI and Big Data



**Christopher Low**  
Executive Director



**Yong Mee Thing**  
Executive Director

► Transfer Pricing Documentation (TPD) Exemption Navigator



**Tan Chin Teck**  
Executive Director

# BDO Tax Seminar on Budget 2026

Growth, Governance & Reform



Tuesday, 11 November 2025  
09:00am - 05:30pm



Amari Hotel Johor Bahru

Johor Bahru

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## Guest Speakers

▶ Analysing Recent Landmark Tax Cases



**Nur Amira Ahmad Azhar**  
Partner  
RDS Partnership

▶ New Investment Incentive Framework by MIDA & JS-SEZ



**Mohamad Reduan Mohd Zabri**  
Director  
MIDA Johor

▶ Latest SST Updates and Practical Impact

*Speaker from RMCD to be announced soon*

## BDO Moderators



**Chia Swee How**  
Executive Director



**Chan Kwan Yee**  
Executive Director

## BDO Tax Speakers

▶ Malaysia Tax Enforcement Trend - AI and Big Data



**Christopher Low**  
Executive Director



**Yong Mee Thing**  
Executive Director

▶ Malaysia Budget 2026: Key Tax Changes & Implications

▶ Updates on Capital Gains Tax (CGT), Foreign Source Income (FSI) and Stamp Duty



**Lee Hui San**  
Executive Director

▶ Transfer Pricing Documentation (TPD) Exemption Navigator



**Tan Chin Teck**  
Executive Director

## BDO in Malaysia's Contacts

### Kuala Lumpur

Level 8,  
BDO@Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur, Malaysia

T:+603 2616 2888  
E: [bdo@bdo.my](mailto:bdo@bdo.my)

### Penang

51-21-F,  
Menara BHL  
Jalan Sultan Ahmad Shah  
10050, Penang Malaysia

T:+604 222 0288  
E: [bdopg@bdo.my](mailto:bdopg@bdo.my)

### Johor Bahru

Suite 18-04,  
Level 18 Menara Zurich  
15 Jalan Dato' Abdullah Tahir  
80300 Johor Bahru, Malaysia

T:+607 331 9815  
E: [bdojb@bdo.my](mailto:bdojb@bdo.my)

For further information, we welcome you to speak to any of our tax specialists below:

#### BEH TOK KOAY

Senior Advisor  
[tkbeh@bdo.my](mailto:tkbeh@bdo.my)

#### DAVID LAI

Executive Director  
[davidlai@bdo.my](mailto:davidlai@bdo.my)

#### CHRISTOPHER LOW

Executive Director  
[chrislow@bdo.my](mailto:chrislow@bdo.my)

#### TAN CHIN TECK

Executive Director  
[tanct@bdo.my](mailto:tanct@bdo.my)

#### WOON YOKE LEE

Executive Director  
[woonyl@bdo.my](mailto:woonyl@bdo.my)

#### KOO KIAN MING

Executive Director  
[kookm@bdo.my](mailto:kookm@bdo.my)

#### LEE BOON HOOI

Executive Director  
[leebh@bdo.my](mailto:leebh@bdo.my)

#### ON BEE YEE

Executive Director  
[onby@bdo.my](mailto:onby@bdo.my)

#### SOH PIN TAU

Executive Director  
[sohpt@bdo.my](mailto:sohpt@bdo.my)

#### YAP MEI SEI

Executive Director  
[yapms@bdo.my](mailto:yapms@bdo.my)

#### YEAP LAY SUAT

Executive Director  
[yeapls@bdo.my](mailto:yeapls@bdo.my)

#### YONG MEE THING

Executive Director  
[yongmt@bdo.my](mailto:yongmt@bdo.my)

#### CHAN KWAN YEE

Executive Director  
[chanky@bdo.my](mailto:chanky@bdo.my)

#### JOE KHOO SING KIM

Executive Director  
[khoosk@bdo.my](mailto:khoosk@bdo.my)

#### MIDORI ASO

Executive Director  
[midori@bdo.my](mailto:midori@bdo.my)

#### LEE HUI SAN

Executive Director  
[leehs@bdo.my](mailto:leehs@bdo.my)

#### CHIA SWEE HOW

Executive Director  
[chiash@bdo.my](mailto:chiash@bdo.my)

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