

Malaysia Budget 2026 Highlights (Part 2)

Fourth MADANI Budget: The Rakyat's Budget

A continuation of our Malaysia Budget Highlights outlining the additional key tax proposals in the Finance Bill 2025 and the Measures for Collection, Administration and Enforcement of Tax Bill 2025.

November 2025

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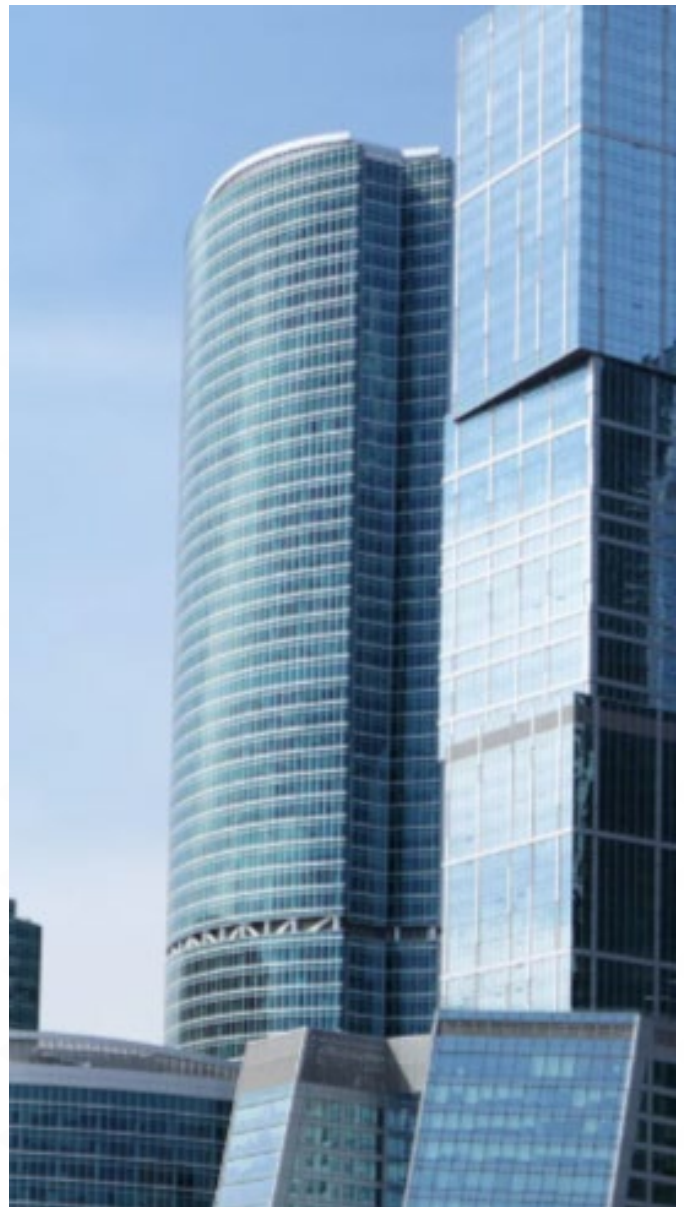
Note: The graphics within this commentary are interactive. Please click on them to explore additional information and resources.

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.
- ▶ The Finance Bill 2025 clarifies that the profit distributions mentioned above include profits derived from Malaysia that are paid, credited or distributed, whether in cash or in kind. Where the profit distributions are in kind, the amount of profits in kind shall be valued based on market value at the time of the distribution.
- ▶ Effective from YA 2026.



Capital Gains Tax (CGT)



Definition of “Disposal”

- ▶ The definition of “disposal” under the Income Tax Act would be amended to specifically cover the following events:
 - i. Extinguishment of any rights due to the dissolution or winding up of a company;
 - ii. Conversion of shares;
 - iii. Redemption of shares; and
 - iv. Other transactions resulting in the cessation of ownership in the capital asset.
- ▶ Effective date: 1 January 2026.

Comments:

This amendment expands the definition of disposal to widen the scope of CGT. Companies undertaking any of the transactions mentioned above should plan for the CGT implications and ensure compliance with the filing requirements.

Disposal of Foreign Capital Asset

- ▶ Chapter 9 of Part III of the Income Tax Act would only be applicable for ascertaining the chargeable income for disposal of the following capital assets:
 - i. Unlisted shares of a company incorporated in Malaysia; and
 - ii. Shares of a controlled company incorporated outside Malaysia that derive value from real property in Malaysia, as provided under Section 15C of the Income Tax Act.
- ▶ Effective date: 1 January 2026.

Comments:

This amendment provides clarity that the provisions under Chapter 9 of Part III of the Income Tax Act including the formula for chargeable gains computation is not applicable for disposal of foreign capital assets.

Capital Gains Tax (CGT)

Disposal Date for CGT

- ▶ Section 65F(3) of the Income Tax Act would be amended to clarify the determination of the disposal date for the following additional events mentioned under the definition of “disposal” where no written agreement exists:

Event	Disposal date
<ul style="list-style-type: none"> • Extinguishment of any rights due to the dissolution or winding up of a company 	The earlier of when shareholders’ right is extinguished or when the whole of the value of consideration is received.
<ul style="list-style-type: none"> • Conversion of shares • Redemption of shares • Other circumstances resulting in the cessation of share ownership. 	The earlier of when share ownership ends or when the whole of the value of consideration is received.

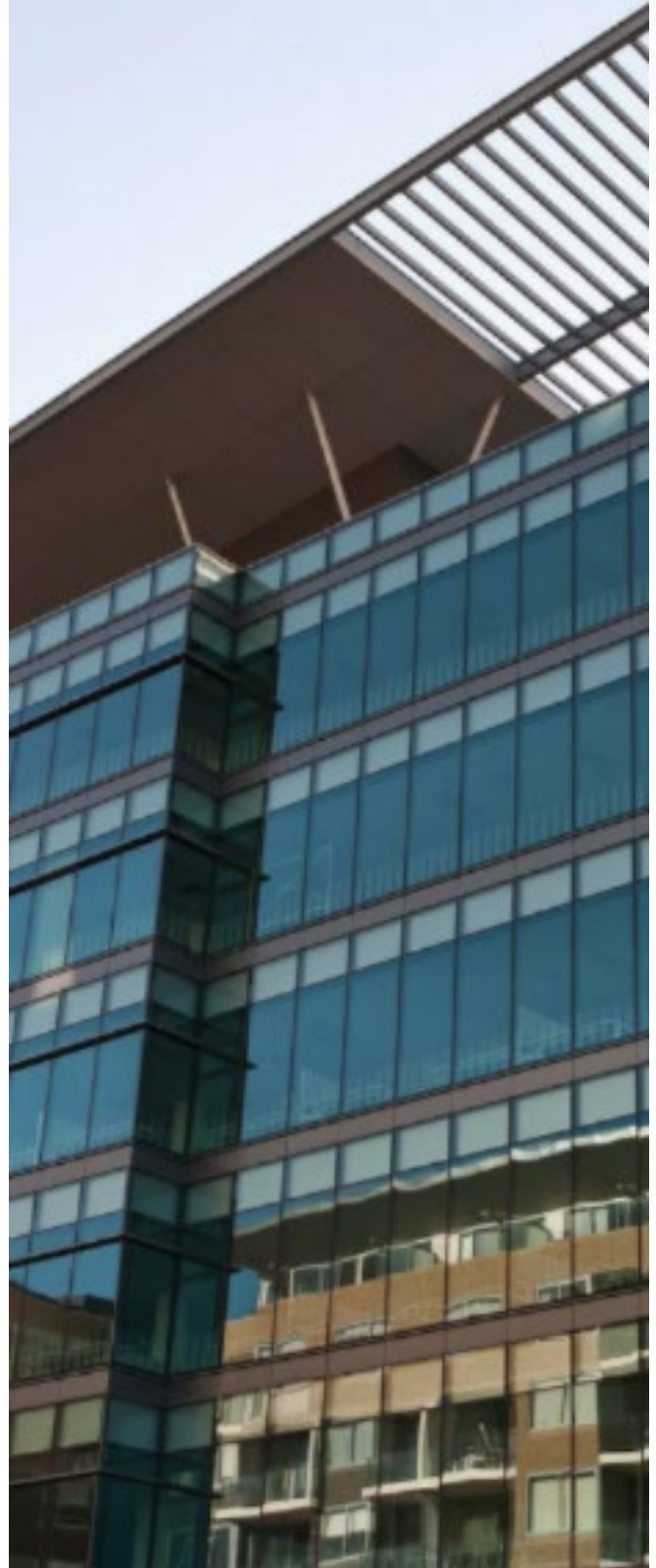
- ▶ Effective date: 1 January 2026.

Disposal of Capital Assets by Nominees

- ▶ Where a person holds a capital asset as a nominee for a company, LLP, trust body, or co-operative society, the beneficial owner would be treated as the disposer, and any disposal between the nominee and the beneficial owner shall be disregarded.
- ▶ Effective date: 1 January 2026.

Comments:

This amendment aims to subject the beneficial owners to CGT for disposal of capital assets by nominees.



Real Property Gains Tax (RPGT)



Time Limit to Carry Forward RPGT Losses

- ▶ The losses from the disposal of real property would only be allowed to carry forward up to 10 YAs to offset against chargeable gains from subsequent disposals. Any RPGT losses not utilised after 10 YAs would be disregarded.
- ▶ As a transitional measure, any accumulated RPGT losses for YA 2025 and the proceeding YAs which have not been utilised can be carried forward and offset against the chargeable gains from subsequent disposals from YA 2026 to YA 2035.
- ▶ Effective date: YA 2026.

Comments:

Due to the time limit on carrying forward RPGT losses, investors should plan to utilise their RPGT losses before the expiry of 10 YAs.

Purchase Consideration Withhold by Acquirer

- ▶ The acquirer is required to withhold a sum of the purchase consideration as determined below (whichever is the lower) and remit the amount withheld to IRBM within 60 days from the date of disposal:
 - i. the whole cash consideration;
 - ii. prescribed percentage (e.g. 3%, 5% or 7% depending on the profile of the disposer) of the purchase consideration; or
 - iii. the additional option, the amount of RPGT payable self-assessed by the disposer based on the RPGT return submitted by the disposer.
- ▶ Effective date: 1 January 2026.

Comments:

This additional option for the acquirer to withhold the RPGT payable self-assessed by the disposer is expected to ease cash flow management and reduce the need to request a refund from IRBM.

Real Property Gains Tax (RPGT)

Instalment Payment for RPGT Payable under Self-assessment System

- ▶ IRBM is empowered to allow instalment payment in respect of balance of RPGT payable self-assessed by the taxpayers under the self-assessment system subject to approval by the Director General of Inland Revenue (DGIR).
- ▶ Effective date: 1 January 2026.

Comments:

This amendment aims to provide taxpayers with large RPGT payable, the opportunity to apply for instalment payments.



Stamp Duty



Payment of Stamp Duty

- ▶ The due date for stamp duty payment under the self-assessment system would be amended as follows:
 - Existing - The date of the stamp duty return is submitted.
 - New - Within 30 days from the date the stamp duty return is submitted.
- ▶ Effective date: 1 January 2026.

Comments:

This amendment provides an additional 30 days for duty payers to make payment.

Penalty for Late Submission of Stamp Duty Return

- ▶ Section 47A of the Stamp Act would be amended to impose the penalty for late submission of stamp duty return under the Stamp Duty Self Assessment System (SDSAS) to be as follows:

Period of late submission	Penalty
Instrument is stamped within 3 months after the time for stamping	RM50 or 10% of the deficient duty, whichever is greater
In any other case	RM100 or 20% of the deficient duty, whichever is greater

- ▶ Effective date: 1 January 2026.

Finality of Assessment

- ▶ Section 36CA of the Stamp Act empowers the Collector to raise an assessment or additional assessment within 5 years (no time limit in case of fraud, wilful default or negligence) after the stamp duty is paid or would have been paid for any understatement of stamp duty.
- ▶ The Collector would not be bound by the finality provisions of the Stamp Act when exercising its powers to raise an assessment or additional assessment under Section 36CA of the Stamp Act.
- ▶ Effective date: 1 January 2026.

Application for Stamp Duty Refund in Respect of Agreement Rescinded

- ▶ In order for IRBM to process the stamp duty refund for contract or agreement rescinded or annulled, or for any other reason be not substantially performed or carried into effect, an application is required to be submitted by the duty payer to IRBM within 24 months after the date of instrument by the person whom it was first or alone executed.
- ▶ Effective date: 1 January 2026.

Comments:

This amendment imposes a time limit for duty payers to request a stamp duty refund in respect of agreements rescinded.

Stamp Duty

Review of Penalty or Fine

► In view of the implementation of SDSAS, the penalties or fines would be revised as follows:

No.	Offence	Penalty / fine	
		Existing	New
1	Registration of any instrument of transfer of debentures or shares executed outside Malaysia which is not duly stamped	Not exceeding RM250	RM1,000 to RM10,000
2	Failure of authorised person to pay the compounded duty on unstamped instrument to the Collector by the specified date or within 14 days immediately thereafter	RM200 or 10% of the amount payable, whichever is higher	RM500 or 20% of the amount payable, whichever is higher
3	Failure to fully and accurately state all facts and circumstances in an executed instrument with the intention of evading stamp duty	Not exceeding RM2,500	RM2,500 to RM50,000
4	Execution and signing of documents (including the issuance, endorsement, transfer or presentation of any cheque or promissory note) that are not duly stamped	Not exceeding RM1,500	RM1,000 to RM10,000
5	Failure to execute and transmit any contract note	Not exceeding RM1,500	RM1,000 to RM10,000
6	Offence in relation to stamp certificates including selling, offering, counterfeiting, possessing, or fraudulently attaching or detaching a stamp certificate	Not exceeding RM5,000	RM2,500 to RM50,000

► Effective date: 1 January 2026.

Person Liable to Pay Stamp Duty for Exchange of Properties

► The ad valorem stamp duty for exchange of properties would be liable to be paid by the transferee rather than equally borne by parties in the exchange.

► Effective date: 1 January 2026.

Tax Administration



Restructuring of Estimate of Tax Payable's Tax Instalment Payments

- ▶ Currently, every company, LLP, trust body or co-operative society is required to remit its estimate of tax payable (ETP) for a YA in equal monthly instalments according to the number of months in the basis period with the first monthly instalment payment commencing from the second month of the basis period.
- ▶ Effective from YA 2028, the first monthly instalment payment shall commence from the first month of the basis period.
- ▶ During the transitional period, i.e. YA 2027, the number of monthly instalments shall be reduced by one instalment. For example, the monthly instalment payments for a 12-month basis period shall commence from the second month of the basis period and end in the 11th month of the basis period.

Comments:

This proposal is to align the tax instalment period with the financial period for ease of monitoring by taxpayers.

Utilisation of Tax Overpaid to Offset Against Other Tax Liabilities

- ▶ Currently, any amount of tax overpaid under the Income Tax Act that is refundable to a taxpayer for a YA may be utilised by the DGIR to settle other taxes that are due and payable by the taxpayer under the Income Tax Act, the Petroleum Act, or the RPGT Act.
- ▶ The scope of tax liabilities available for offset is expanded to include taxes and duties that are due and payable by the taxpayer under the LBATA and Stamp Act.
- ▶ Correspondingly, the LBATA and the Stamp Act have introduced similar provisions that allow the DGIR to utilise any excess taxes or duties refundable to a taxpayer or duty payer to settle any outstanding taxes or duties due and payable under the Income Tax Act, the Petroleum Act, the RPGT Act, the LBATA, or the Stamp Act.
- ▶ Effective date: 1 January 2026.



Tax Administration

Electronic Filing for the Authorisation of Representatives to Furnish Prescribed Forms (under the Income Tax Act)

- ▶ Currently, a taxpayer may authorise in writing a tax agent or an employee to furnish on his behalf any form prescribed under the Income Tax Act.
- ▶ Moving forward, the authorisation of the above representatives must be filed electronically, using the prescribed form.
- ▶ Effective date: From 1 January 2027.

Electronic Filing for the Authorisation of Representatives to Furnish Prescribed Forms (under the LBATA)

- ▶ Currently, a taxpayer may authorise in writing a tax agent to furnish on his behalf any form prescribed under the LBATA.
- ▶ Moving forward, the authorisation of representatives will be extended to include employees, with all authorisations to be filed electronically using the prescribed form.
- ▶ Effective date: From 1 January 2027.

Appointment of Authorised Officer

- ▶ It is proposed that the DGIR may, in writing, authorise any officer or other official to exercise the powers conferred under the LBATA.
- ▶ Any officer or other official that is authorised by the DGIR in writing to access buildings and documents under Section 22D of the LBATA shall be issued an authority card signed by the DGIR.
- ▶ Effective date: 1 January 2026.

Expansion of the Implementation of Malaysian Income Tax Reporting System (MITRS)

- ▶ Submission of the information or specified documents through MITRS within 30 days after the due date for furnishing tax returns is extended to partnerships.
- ▶ Effective from YA 2027.



Glossary of Acronyms

CGT	Capital gains tax
DGIR	Director General of Inland Revenue
ETP	Estimate of tax payable
Income Tax Act	Income Tax Act, 1967
IRBM	Inland Revenue Board Malaysia
LBATA	Labuan Business Activity Tax Act, 1990
LLP	Limited liability partnership
MSMEs	Micro, small and medium enterprises
MOF	Ministry of Finance
Petroleum Act	Petroleum (Income Tax) Act, 1967
RPGT Act	Real Property Gains Tax Act, 1976
RPGT	Real property gains tax
RM	Ringgit Malaysia
Stamp Act	Stamp Act, 1949
SDSAS	Stamp Duty Self Assessment System
YA	Year of assessment
YAs	Years of assessment



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