

Direct Taxes and Reliefs

Income tax on profits received by partners of LLPs



- Profit distributions received by individual partners of limited liability partnerships (“LLPs”), exceeding RM 100,000 per year, will be subject to **2% tax** on chargeable income from year of assessment (“YA”) 2026 onwards.
- This applies to both **resident and non-resident** individuals.
- Individual partners must **report the profit distributions** received from LLPs in their **income tax return forms**.

Exemption for Foreign-Sourced Income



- The tax exemption on **foreign-sourced dividends** and **gains from disposal of capital assets abroad** received by resident companies and LLPs, as well as **foreign sourced income received by unit trusts**, will be **extended** for 4 years from 1 January 2027 to 31 December 2030.
- The scope of the tax exemption on **foreign-sourced dividends and gains from the disposal of capital assets abroad** will be **expanded** to include **cooperative societies and trust bodies**, effective from 1 January 2027 to 31 December 2030.

Revisions to the Tax Incentives for Venture Capital



- **Venture Capital Company (“VCC”): 5% corporate tax rate** on all income (except interest / profit from savings, fixed deposits, or deposits) for **10 years** or **remaining fund life** from the VCC’s first Securities Commission certification. Scope expanded to cover **LLPs**.
- **Venture Capital Management Company:** From YA 2025 to YA 2035, **10% tax rate** on income from share of profits, management fees, and performance fees
- **Individual Shareholders of VCC:** From YA 2025 to YA 2035, income tax **exemption** for **dividends distributed to individual shareholders**. Exemption does not apply to individuals holding shares through nominees.

Tax Incentives for Tourism Industry



Incentive	Existing Position	New Position
Inbound Tourism Packages	100% tax exemption on income from inbound tourism packages, with no minimum requirement for foreign tourists.	100% tax exemption on incremental income from inbound tourism packages, provided at least 1,000 foreign tourists are brought in annually, for YAs 2026 and 2027.
Renovation Refurbishment for Tourism Projects	No tax deduction allowed for renovation and refurbishment expenses.	Deduction up to RM500,000 for Ministry of Tourism, Arts and Culture (“ MOTAC ”) registered tourism project operators on qualifying expenditure incurred on renovation and refurbishment works for business purposes, from 11 October 2025 until 31 December 2027.
Incentive Trips, Conferences, Exhibitions	100% income tax exemption for conference organisers bringing in at least 500 foreign participants annually.	100% income tax exemption for MOTAC-verified organisers subject to bringing in: 1,500 (incentive trips), 2,000 (conferences), or 3,000 (trade exhibitions) foreign participants annually for YAs 2026 and 2027.

Tax Reliefs

New Investment Incentive Framework



- The Government will introduce the **outcome-based New Investment Incentive Framework** (initially announced in Budget 2025) that aligns with the New Industrial Master Plan 2030 (“**NIMP**”), to incentivise **high value-adding activities**.
- The framework prioritizes investments that create high-value jobs and reduce regional economic disparities.
- The pilot phase is until the end of 2025. The framework will be fully implemented for the **manufacturing sector in Q1 2026** and **extended to the services sector in Q2 2026**.

Artificial Intelligence Training



Previous Position	New Position
Companies are only eligible to claim tax deductions for employee-training related directly to the company's business activities . Further tax deductions for expenses on approved training programmes are not available for companies contributing to the Human Resources Development Fund (HRDF)	MSMEs, including those contributing to the HRDF, are eligible to claim an additional 50% tax deduction biennially, for artificial intelligence training recognised by the MyMahir National AI Council for Industry (NAICI)

Commercial-to-Residential Conversion



- A special tax deduction will be available on expenses incurred to renovate and convert commercial buildings to residential buildings, equivalent to **10% of qualifying expenditure** (capped at **RM 10 million**).

Technical and Vocational Training and Education



Previous Position	New Position
Double tax deduction for companies providing scholarships to students in technical/vocational training and higher education, provided the student fulfills the following criteria: <ul style="list-style-type: none"> • Malaysian citizenship • full-time study • no source of income; and • household income cap of RM10,000/month. 	<ul style="list-style-type: none"> • Scope is expanded to companies providing scholarships to students pursuing qualified professional certification courses, and now excludes Masters and Doctorate levels • Household income cap is increased to RM 15,000 per month. • Extension of incentive for 5 years from YA 2026 to YA 2030.

Accelerated Capital Allowances



- **Accelerated capital allowances** will be given on qualifying capital expenditures incurred from 11 October 2025 to 31 December 2026, to be claimed within 2 years, at a rate of **20% for initial allowance** and **40% for annual allowance**.
- The qualifying expenditure includes **procurement of heavy machinery, plants and general machinery from local manufacturers**, purchase of ICT equipment and computer software, and **consultation, licensing and incidental fees related to customized computer software development**.

Budget 2026: Tax Highlights

10 October 2025

Stamp Duty



Self-Assessment System for Stamp Duty

- It is reaffirmed that the transition to **self-assessment system for stamp duty** will be implemented in phases, beginning from 1 January 2026, as announced in Budget 2025.

Exemption for employment contracts involving monthly wages of RM3,000 and below

- The **wage threshold** for employment contracts exempt from stamp duty will be **increased from RM300 to RM3,000**, effective 1 January 2026.

Stamp duty rate increased to 8% for foreign buyers of residential properties

- The stamp duty on **instruments of transfer of real property** executed by **non-citizen individuals (excluding permanent residents of Malaysia) and foreign companies** will be increased from the flat rate of **4% to 8%**, effective 1 January 2026.

Exemption for contract notes for buy-side transactions of structured warrants

- Currently, contract notes for the sale and purchase of structured warrants are subject to *ad valorem* 0.1% stamp duty, with a maximum of RM 200 imposed on each contract note.
- The government has proposed a **3-year stamp duty exemption for buy-side structured warrant transactions** executed from 1 January 2026 to 31 December 2028.

Extension of existing exemptions

Exemption	Period of Extension
First-time home buyers 100% exemption for instruments of transfer and loan agreements for Malaysian citizens purchasing their first residential property priced up to RM500,000.	Extended for 2 years from 1 Jan 2026 to 31 Dec 2027
Insurance policies / takaful certificates with low annual premium or contribution 100% exemption for policies / certificates with annual premiums or contributions not exceeding RM150 (individuals) and RM 250 (MSMEs), covering liability, fire, travel, engineering, personal accidents, and business interruptions due to fire.	Extended for 3 years from 1 Jan 2026 to 31 Dec 2028
Contract notes for Exchange Traded Funds ("ETF") listed on Bursa Malaysia 100% exemption on contract notes for ETF transactions	Extended for 3 years from 1 Jan 2026 to 31 Dec 2028

Indirect Taxes and Related Measures

Carbon Tax



- Carbon tax will be introduced in 2026, with an initial focus on the metal, steel and energy industries.
- The carbon tax mechanism will be aligned with the upcoming National Carbon Market Policy and Climate Change Bill, to ensure efficient implementation.

Review of excise duties



- Effective 1 January 2026, the exemption on excise duties for vehicles in Langkawi and Labuan will be limited to vehicles of value up to RM 300,000.
- Excise duty rate on cigarettes to be increased by 2 cents per stick (or 40 cents per packet of 20 cigarette sticks), from 1 November 2025.
- Effective 1 November 2025, excise duty rate on alcoholic beverage products (beer, sparkling wine, cider and perry, sake, shandy, wine etc.) to be increased by 10%.

Digital tax stamps



- The Royal Malaysian Customs Department will introduce digital tax stamps with enhanced security features.
- This aims to combat counterfeiting and reduce leakage at entry points into Malaysia, through a Centralised Screening Complex with integrated CCTV systems.

These key tax highlights are extracted from the Budget 2026 Text and Appendices which were released on 10 October 2025 and have yet to be passed into law at the time of publication.



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