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MEDIA STATEMENT

CTIM on Budget 2027: Malaysia MADANI: “Reaching for the Skies, While Anchored on Our Values”

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Friday, 9 October 2026 reflects the Government's commitment to building a resilient, inclusive and sustainable economy while ensuring that the benefits of national development reach all Malaysians with the tabling of the Budget 2027 by our Prime Minister and Finance Minister, YAB Dato' Seri Anwar bin Ibrahim.

Budget 2027, themed “**Belanjawan MADANI Kelima: Menggapai di Langit, Mengakar di Bumi**” (“Reaching for the Skies, While Anchored on Our Values”), focuses on 8 key pillars, with priorities including addressing the rising cost of living, improving wages and household incomes, strengthening social protection, promoting balanced development across all states, and creating greater economic opportunities for Malaysians.

The Chartered Tax Institute of Malaysia (CTIM) is pleased to provide its comments on several key tax proposals in Budget 2027 as follows:

Micro, Small and Medium Enterprise (MSME) Tax Savings

- **MSME tax rates:** The corporate tax rate on the **first RM600,000** of chargeable income will be **reduced by 1%** (first **RM150,000** reduced to **14%**, and **RM150,000 to RM600,000** reduced to **16%**).
- **Accelerated Capital Allowance (ACA) period:** The ACA for local plant, machinery, and ICT equipment and software is **extended for a further four (4) years** until **31 December 2030**.
- **Threshold for small value assets:** The threshold for capital allowance claim will be increased from **RM2,000 to RM3,000** (without any limit on overall annual claim by MSMEs).

These tax measures help small and medium enterprise owners to maintain financial resilience as they adjust to rising operational overheads owing to inflationary pressures contributed by rising energy prices following recent global geopolitical tensions. The extended relief period eases cash

flow pressures from capital investments and is a welcomed catalyst to spur domestic investment activities and allows the local business community to remain supported at the same time.

Beyond tax incentives, MSMEs receive critical operational support through an explicit exemption from the mandatory minimum wage hike - which increases from RM1,700 to RM2,000 per month effective June 2027. By exempting MSMEs with annual sales revenue below RM50 million, the Government provides small business owners with essential breathing room to adjust their business models in the current economic conditions without incurring immediate labor cost spikes.

Personal Tax Reforms & Reliefs

- **Basic tax relief:** The basic personal tax relief is increased from **RM9,000 to RM12,000**.
- **Tax rate reform:** A **1% reduction** in personal income tax rates for taxable income bands between **RM70,000 and RM150,000**. The top income bracket subject to personal tax of 30% is reduced to **RM1 million**.
- **Broader reliefs:** Medical and lifestyle reliefs are **broadened** to cover **post-natal care, elderly care expenses**, AI subscriptions, pet adoption and vaccination, and sports shoes.

The basic personal relief increase marks its first revision since 2010. The public will see the above as a long-overdue recognition of middle-income group's cost-of-living pressure, especially since the higher relief and reduced rates would yield up to RM1,600 in extra disposable income for about five million taxpayers while lower income earners gain more from cash aid than from these changes.

Higher earners are now invited to support this reform as a fairness measure in the progressive taxation system but its effect on the regional competitiveness of retaining senior executives and professionals ought to be given due consideration.

Tax Incentives for Employers Repaying Employees' PTPTN Loans

Tax deduction will be given to employers who repay PTPTN education loans on behalf of their employees, covering repayments made from 1 January 2027 to 31 December 2028.

This would encourage private sector participation in easing graduates' education loan burdens. Employees may benefit from reduced outstanding loans and improved disposable income, while employers receive tax incentives for supporting employee welfare. At the national level, the measure may encourage more consistent loan repayments and strengthen PTPTN's financial sustainability, ensuring continued funding for future students.

Promoting Transparent and Cashless Salary Payments

Effective from the Year of Assessment 2028, companies other than MSMEs would be allowed tax deductions on salary expenses only where salaries are paid through financial institutions or prescribed cashless payment instruments, in accordance with the Employment Act 1955. Tax deductions for other expenses will remain unaffected by this requirement.

Payroll transparency would be enhanced, tax compliance would be strengthened and irregular employment practices would be discouraged. Non-MSMEs are also likely to be discouraged from employing undocumented migrants where cash payments often prevail, and the employment of legitimate employees will be enhanced. Employees may benefit from more transparent salary payments, while compliant businesses benefit from clearer accountability and fairer competition. The measure also supports the Government's broader efforts to promote cashless transactions and formalise employment practices.

Enhancing Malaysia's Global Services Hub Incentive

The existing Global Services Hub (GSH) tax incentive is enhanced by introducing differentiated tax rates for new and existing companies, expanding qualifying services and extending incentives for up to 30 years. New companies may enjoy a 5% tax rate, while existing companies will be taxed at 5% on income up to their three-year average and 15% on additional income. Enhanced treasury fund management incentives include withholding tax and stamp duty exemptions.

These measures aim to attract high-value investments, create skilled employment, strengthen local talent, stimulate economic growth and enhance Malaysia's competitiveness as a regional business and treasury fund management hub.

Enhancing Green Technology Tax Incentives to Accelerate Malaysia's Green Transition

The Green Technology Tax Incentive is enhanced and extended until 31 December 2030, supporting Malaysia's ambition to achieve net-zero carbon emissions by 2050. The revised incentives introduce new qualifying activities, including ocean thermal energy conversion, and expand eligible assets to cover locally produced electric vehicle infrastructure, waste recycling systems and water conservation technologies.

Compared with the existing framework, the revised incentives adjust investment allowance rates across qualifying activities and prioritise integrated renewable energy systems combined with energy storage. Businesses investing in eligible green projects and assets may enjoy investment tax allowances of up to 100%, subject to applicable conditions.

These measures aim to reduce investment costs, encourage technology adoption, stimulate local green industries and create skilled employment. By promoting renewable energy, energy efficiency and domestic green technology manufacturing, Malaysia can strengthen energy security, attract sustainable investments and enhance its competitiveness in the global green economy.

Senior Care Services

Effective **1 January 2027**, the government is implementing a two-pronged service tax relief specifically for senior care services:

- **Service Tax Rate Reduction:** The service tax rate applied to senior care services (*perkhidmatan jagaan warga emas*) is reduced from **8% to 6%**.
- **Service Tax Exemption:** A **full service tax exemption** applies to senior care service fees up to **RM96,000 per year** (RM8,000 per month).

These tax measures effectively remove the service tax burden for most families using private nursing homes, day-care centers, and home-care providers. This tax initiative forms part of a holistic framework to strengthen the country's social safety net and formalise the eldercare sector ahead of the upcoming Senior Citizens Bill.

By easing the financial strain on the "sandwich generation", working adults supporting both young dependents and aging parents, the tax measure complements the expanded personal income tax relief for parental and grandparental care expenses. Alongside RM40 million allocated to train 8,000 caregiving professionals via the Human Resource Development Corporation (HRD Corp) and the establishment of Integrated Care Expertise Centres (NICE), the policy aims to make quality, professional senior care more accessible and affordable for all Malaysians

Stamp Duty Relief to Support First-Time Homebuyers and Revive Abandoned Housing Projects

- **100% Exemption for First Homes (up to RM500,000):** First-time buyers pay zero stamp duty on loan contracts and transfer instruments for properties up to RM500,000, saving up to RM11,500 in upfront costs - applicable to Sale & Purchase Agreements (SPAs) executed from 1 January 2027 to 31 December 2030.
- **Tiered Exemption for First Homes (RM500,000–RM750,000):** First-time buyers get a 100% stamp duty waiver on the first RM500,000 and a 50% waiver on the remaining balance, easing costs for urban middle-income families - for loan agreements and instruments of transfer involving sale and purchase agreements executed from 1 January 2027 until 31 December 2030.

- **Full Exemption for Abandoned Home Revival:** Rescue developers and original buyers receive a 100% stamp duty exemption on loan and transfer instruments to help eliminate stalled housing projects by 2030 - for loan agreements and instruments of transfer executed from 1 January 2027 until 31 December 2030.

Expanding the 100% waiver to RM500,000 homes and adding a tiered 50% waiver up to RM750,000 reduces transactional cash outlay for first-time buyers, while full exemptions on abandoned projects eliminate tax friction for rescue developers.

The above proposals give an indication of the direction that the Government is taking. It assures investors, taxpayers and the rakyat of the Government's commitment to create a thriving economy, facilitate a more equitable distribution of accelerated economic growth and continue economic policies and reforms. The proposals will require further deliberation and consultation with various stakeholders before implementation.

Overall, the Budget 2027 stands as a defining national covenant, striking a delicate balance between fiscal discipline and social justice. By pairing M40 tax relief and enhanced business incentives with structural wage reforms and expanded targeted assistance, the budget demonstrates a commitment to elevating every segment of society.

As Malaysia navigates global economic headwinds and transitions toward an aged nation, Budget 2027 delivers a clear blueprint, one that empowers the nation to reach for new economic heights while remaining deeply rooted in the dignity and well-being of its people.

Alan Chung is the President of the Chartered Tax Institute of Malaysia.

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