



SPEAKER
»»»» **SESSION 2**

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**KEY HIGHLIGHTS OF
THE 2026 DIRECT TAX
PROPOSALS ...**

LLP TAX

PROPOSAL

Tax treatment:

- i. Profit distribution from LLP exceeding RM100,000 received by partners are subject to tax
- ii. 2% rate is imposed on chargeable income, after deducting allowable relief and deduction
- iii. Individual partners of LLP (residents and non-residents)

Effective YA2026

Formula

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

- A. Profit distributions received (deemed as statutory income of the partner)
- B. Aggregate income of the partner
- C. Chargeable income of the partner
- D. Chargeable income from profit distributions by LLP

FOREIGN SOURCED INCOME

CURRENT

Tax treatment:

- i. Tax exemption on dividends from investments and gains from disposal of capital assets abroad received by resident companies and LLP until 31 Dec 2026
- ii. Tax exemption on income received by individual (exclude partnership business) until 31 Dec 2036
- iii. Tax exemption on income received by unit trusts until 31 Dec 2026

PROPOSAL

Tax treatment:

- i. Scope expanded to include cooperative societies and trust bodies and exemption extension until 31 Dec 2030
- ii. No Changes
- iii. Extended until 31 Dec 2030

ACCELERATED CAPITAL ALLOWANCE (ACA)

CURRENT

Tax treatment:

Asset	Initial Allowance (%)	Annual Allowance (%)
Motor Vehicles, Heavy Machinery	20	20
Plant and General Machinery	20	14
Others	20	10
ICT Equipment and Computer Software	40	20

PROPOSAL

Tax treatment:

Qualifying Expenditure	Capital Allowance Rate
Locally Manufactured Heavy Machinery	Initial Allowance 20%
Plant and General Machinery manufactured locally	
Purchase of ICT Equipment and Computer Software Package	Annual Allowance 40%
Consultation Fees, Computer Software Licensing	
ACA can be fully claimed with 2 years	

Effective 11 Oct 2025 to 31 Dec 2026

FOOD SECURITY PROJECT

CURRENT

Tax treatment:

QUALIFYING COMPANY	TAX INCENTIVE
Companies investing	Tax deduction equivalent to the amount of investment
Companies undertaking food production projects	<ul style="list-style-type: none"> i. New project – 100% exemption on statutory income (SI) for 10 years of assessment ii. Expansion project – 100% exemption on SI for 5 years of assessment
Applications received by the Ministry of Agriculture and Food Security Malaysia (MAFS) are extended from 1 Jan 2023 until 31 Dec 2025	

PROPOSAL

Tax treatment:

QUALIFYING COMPANY	TAX INCENTIVE
Companies undertaking new projects	<ul style="list-style-type: none"> i. 100% of income tax exemption on SI for 10 years of assessment. ii. Tax exemption on income from sales in domestic market
Companies undertaking expansion projects	<ul style="list-style-type: none"> i. 100% of income tax exemption on SI for 5 years of assessment. ii. Tax exemption on income from sales in domestic market

Applications received by the Ministry of Agriculture and Food Security Malaysia (MAFS) are extended from 1 Jan 2026 until 31 Dec 2030

VENTURE CAPITAL

PROPOSAL

Venture Capital Company (VCC)

- 5% corporate tax imposed on all income (excluding interest/profit from savings/ fixed deposits/ deposit)
- Invest minimum of 20% of its funds in local venture companies
- Tax incentive :10 years. First certification by SC not later than 31 Dec 2035

Venture Capital Management Company (VCMC)

- A tax rate of 10% imposed on income derived from share of profit, management fees and performance fees (From YA 2025 to YA 2035)

Individual shareholder of VCC

- Exemption on distribution of dividend to individual at the first level

INCENTIVE ON SUKUK AND BOND GRANT

CURRENT

Tax treatment:

- i. Capital Market Development Fund (CMDf) provided by the Securities Commission (SC)
- ii. External review expenditure limited to 90% (Maximum amount of grant up to RM 300,000)

PROPOSAL

Tax treatment:

- i. Expanded to include the ASEAN Taxonomy for Sustainable Finance Grant approved by the SC
- ii. The expenditure limit on external review has been increased to 100%
- iii. Approval under s.127(3A)

For applications received by the SC from 1 Jan 2026 until 31 Dec 2028

SPONSORSHIP ON SCHOLARSHIP

CURRENT

Tax treatment:

- i. Double tax deduction for scholarship for Malaysia students pursuing Technical and Vocational skills training / higher education at the Diploma, Bachelor Degree, Masters or Doctorate Level
- ii. Parents household income not more than RM10,000 per month

PROPOSAL

Tax treatment:

- i. Scope expanded to include qualifies professional certification courses verified by relevant professional bodies
- ii. Masters and Doctorate level is removed
- iii. Parents household income is increase to RM15,000 per month

Effective YA2026 – YA2030

PROGRAM ORGANISATION

CURRENT

ENTITY	TAX INCENTIVE
Company, association or organization that promotes and organizes conferences	<ul style="list-style-type: none"> • 100% income tax exemption on SI • Participation ≥ 500 foreign participants • From YA 1997
Entity whose primary activity is other than promoting and organizing conferences	<ul style="list-style-type: none"> • 100% income tax exemption on SI • Participation ≥ 500 foreign participants • From YA 2020 – YA 2025

PROPOSAL

TAX INCENTIVE
<ul style="list-style-type: none"> • 100% income tax exemption on SI for organizer verified by MOTAC • Increase condition for participation of foreign participant per year:- <ul style="list-style-type: none"> <input type="checkbox"/> Incentive trip ≥ 1,500 participants; <input type="checkbox"/> Conference ≥ 2,000 participants; <input type="checkbox"/> Trade Exhibition ≥ 3,000 participants

Effective YA2026 & YA2027

OTHER CORPORATE TAX MEASURES

Tourism Projects

- Tax deduction on qualifying expenditure up to RM500K for Tourism project operators registered with MOTAC who undertake renovation and refurbishment works for business purposes

Effective 1 Oct 2025 –
31 Dec 2027

Tour Operator

- 100% income tax exemption on **Incremental Income** derived from inbound tourism package for **tourism companies that attract at least 1,000 foreign tourists per year.**

Effective YA2026 &
YA2027

Arts, Cultural, Sports and Recreational Activities

- 50% income tax exemption on statutory income of Organizer of arts, cultural, as well as sport and recreational competition involving foreign tourist participation
- Expanded to include tourism activities (excluding concert performance) approved by MOTAC
- Venue broadened to include any location in Malaysia approved by MOTAC
- International sports and recreational competitions approved by KBS

Effective YA2026 &
2027

OTHER CORPORATE TAX MEASURES (cont'd)

Care Worker Training

- Double tax deduction for sponsorship of care workers undergo training programmes in institutions recognized by KPWKM
- **The sponsored care workers should not be the employees of the company**

Effective YA2026 &
YA2027

Training in Artificial Intelligence

- 50% further tax deduction once in 2 years incurred by MSMEs and including those contributed to HRDF, on training recognized by MyMahir National AI Council for Industry (NAICI)

Effective 1 Jan 2026 –
31 Dec 2027

Endowment Fund

- Eligibility for creation of tax-exempt endowment fund to be expended to include public university teaching hospitals
- Cash contributions to endowment funds are given tax deductions under Section 44(11D) of the ITA 1967.

Effective from YA2026

OTHER CORPORATE TAX MEASURES (cont'd)

Speed Limitation Device (SLD)

- ACA (IA: 20% & AA: 80%) on expenditure for purchasing SLD devices for heavy vehicles up to RM4,000 per unit

Effective 1 Jan 2026 –
31 Dec 2026

Conversion cost

- Special tax deduction of 10% limited up to RM10million incurred on qualifying expenditure in converting business premises into residential

Effective 1 Jan 2026 –
31 Dec 2027

Integrity and Anti-corruption programmes

- Tax deduction under Section 44(11C) of the ITA on contribution made for Anti-corruption education programmes organized by Civil Society Organisations (CSO)
- Restricted to 10% of Aggregate Income

Application to MoF
from 1 Jan 2026 –
31 Dec 2028

Tax Deduction for Donations to MADANI Initiatives

- Tax deduction for contribution / donation made for Program Kampung Angkat, Program Sekolah Angkat MADANI and Program Sejahtera MADANI

Effective from YA2026

TAX INCENTIVES EXPANSION & EXPANSION

EXISTING TAX INCENTIVES	PROPOSAL ON EXPANSION / EXTENSION
Income tax deduction of up to RM1.5million on cost incurred on listing on Bursa Malaysia	<ul style="list-style-type: none"> Expanded to include MSME's involves in energy and utilities sectors Extension of period for 5 years from YA2026 – YA2030
Tax incentives for Automation in the Agriculture Sector	<ul style="list-style-type: none"> Expanded to include Closed-house Poultry Farming Period from 1 Jan 2026 until 31 Dec 2027
Tax exemption for social enterprise	<ul style="list-style-type: none"> Extended for 3 years from 1 Jan 2026 until 31 Dec 2028
Further tax deduction on salary (below RM4,000 per month) paid by employer to vulnerable person (ex-convict, former resident of Henry Gurney)	<ul style="list-style-type: none"> Expanded to Prisoners Released on License; and Drug/substance dependents undergoing treatment and rehabilitation Extended for 5 years (1 Jan 2026 – 31 Dec 2030)
Further tax deduction for employers hiring senior citizens (salary below RM4,000 per month)	<ul style="list-style-type: none"> Extended for 5 years (1 Jan 2026 – 31 Dec 2030)
Tax deduction for company that invests in a subsidiary company which commercializes the findings of non- resourced based R&D by public research institutions, public or private higher education institutions	<ul style="list-style-type: none"> Extended for 5 years (1 Jan 2026 – 31 Dec 2030)
100% Green Asset Investment Tax Allowance for purchase of green technology asset	<ul style="list-style-type: none"> Expanded to include companies using MyHIJAU-certified green technology products within local supply chains.

TAX MEASURES FOR INDIVIDUAL

Vaccination expenses

- Expansion of tax relief for vaccination includes all types of vaccines registered and approved for use by the National Pharmaceutical Regulatory Agency (NPRA)
- **Capped at RM1,000 per YA**

Effective from YA2026

Childcare fees

- Expanded to include registered day care or transit center
- Age limit increase up to 12 years old
- **Capped at RM3,000 per YA**

Effective from YA2026

Children with Learning Disabilities

- Expenditure on assessment and diagnosis, and early intervention program and rehabilitation treatment for a child aged 18 years and below with learning disabilities
- **Increase from RM6,000 to RM10,000 per YA**

Effective from YA2026

TAX MEASURES FOR INDIVIDUAL (cont'd)

Life insurance or Takaful contribution

- Expansion of tax relief for life insurance premium and takaful contribution to include children
- **Capped at RM3,000 per YA**

Effective from YA2026

Food Waste Grinder & CCTVs

- Income tax relief for purchase of household food waste grinders and CCTVs
- Expanded from current relief for purchase of EV charging equipment and waste composition machine
- Claim for relief is allowed only once within the period of 2 years of assessment
- **Capped at RM2,500 per YA**

Effective for YA2026 &
YA2027

Tourism Expenses

- Tax relief on admission fees to local tourist attractions and cultural programs
- **Capped at RM1,000 per YA**

Effective for YA2026
only

STAMP DUTY – PROPERTY OWNERSHIP BY NON-CITIZEN

CURRENT

- Stamp duty on transfer of residential property by non-citizen (owner other than permanent resident in Malaysia) and foreign company is charged at 4%
- Section 32(aa) First Schedule

PROPOSAL

- Stamp duty rate is increased to 8% for this category

Effective for instrument of transfer of residential property executed from 1 Jan 2026

OTHER STAMP DUTY UPDATES

Employment Contract

- Review of threshold of monthly wages for employment contract exempted from stamp duty
- **Increase from RM300 to RM3,000**

Effective from 1 Jan
2026

First Residential Home

- 100% stamp duty exemption on instruments of transfer and loan agreements for purchase of first residential home priced up to RM500k
- **Extended for 2 years**

Sales and purchase
agreement executed
from 1 Jan 2026 to 31
Dec 2027

Insurance and Takaful

- Stamp duty exemption on insurance policies and takaful certificates for all Perlindungan Tenang product; and
- Stamp duty exemption on insurance policies and takaful certificates with low annual premium or contribution purchased by individuals and MSMEs
- **Extended for 3 years**

Effective from 1 Jan
2026 to 31 Dec 2028

OTHER STAMP DUTY UPDATES

Exchange Traded Funds (ETFs)

- Stamp duty exemption on contract notes for the sale and purchase transactions of ETFs transactions
- **Extended for 3 years**

Effective from 1 Jan
2026 to 31 Dec 2028

Structured Warrants

- Stamp duty exemption on contract notes for buy-side structured warrant transaction
- **Extended for 3 years**

Effective from 1 Jan
2026 to 31 Dec 2028

PENALTY FOR LATE STAMPING

- Late submission of the return and instrument to the Collector under the Stamp Duty Self- Assessment System (SDSAS) will be subject to imposition of penalty.

Effective from 1 Jan
2026

OFFENCES	CURRENT PENALTY	PROPOSED
Registration of instruments of transfer of debentures or shares (executed abroad) is not duly stamped.	Not exceeding RM250	Not less than RM1,000 and not exceeding RM10,000
Failure to pay the remitted compound duty to the Collector within the fixed period on or before the 14th day of the next month.	RM200 or 10% of the amount payable, whichever is higher.	RM500 or 20% of the amount payable, whichever is higher.
Offence of failing to disclose all facts and circumstances in an instrument duly executed with the intention of evading payment of duty.	Not exceeding RM2,500	Not less than RM2,500 and not exceeding RM50,000
Offence of executing and signing documents that have not been duly stamped.	Not exceeding RM1,500	Not less than RM1,000 and not exceeding RM10,000
Offence for failing to execute and transfer a contract note	Not exceeding RM1,500	Not less than RM1,000 and not exceeding RM10,000
Offences relating to stamp certificates, such as selling or falsifying stamp certificates, and others.	Not exceeding RM5,000	Not less than RM2,500 and not exceeding RM50,000

HIGHLIGHTS ON REponsibility OF DUTY PAYER / AGENT

ITEM	EXPLANATION
<p>1. Submit the Form & Pay Online</p>	<ul style="list-style-type: none"> • Complete the Stamp Duty form accurately in the system. • Attach the relevant supporting documents. • Stamping period: Within 30 days from the date the document/agreement is signed or executed.
<p>2. Duty Stamp Payment</p>	<ul style="list-style-type: none"> • Payment must be made within 30 days from the date of the deemed assessment or 30 days from the date of the notice (formal assessment).
<p>3. Expert Reference</p>	<ul style="list-style-type: none"> • If necessary, seek advice from a lawyer or a qualified stamp duty advisor to ensure compliance with the document stamping requirements under the Stamp Act 1949.
<p>4. Keep Records</p>	<ul style="list-style-type: none"> • Keep your documents for 7 years — Retain all required documents and related filings as required by LHDNM, in case of an audit.
<p>5. Be Aware of the Latest Policy Changes</p>	<ul style="list-style-type: none"> • Always stay alert to amendments and the latest developments related to the Stamp Act 1949.

HIGHLIGHTS ON RESTRUCTURING OF INSTALMENTS

CURRENT

- i. 1st instalment payment for the tax estimate shall be made in the 2nd month of the taxpayer's basis period
- ii. Instalment shall end in the first month of the basis period for the following year of assessment

PROPOSAL

- i. 1st instalment payment for the tax estimate shall be amended and made in the 1st month of the taxpayer's basis period
- ii. Instalment shall end in the same year of assessment
- iii. For YA 2027, instalment payment shall commence in the 2nd month and be completed within the basis period, less one month.

Effective YA2028

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THINK DIFFERENTLY

Academy SALIHIN



20 MALAYSIA KUALA LUMPUR EDITION
26 BUDGET TAX SEMINAR

Thank You