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# BUDGET HIGHLIGHTS 2027

## Malaysia

Belanjawan 2027
MALAYSIA MADANI




**Reaching for the Skies, Rooted in the Earth**
(Menggapai di Langit, Mengakar di Bumi)

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# Budget Commentary



Budget 2027 puts governance and fiscal prudence at the heart of national progress. As AI reshapes our work, the accounting and tax profession must uphold even greater transparency and integrity.

**Dato' (Dr.) Haji Salihin Abang**
Founder and Group Managing Partner, SALIHIN



Allowing manufacturers to claim back Sales Tax on machinery, spare parts, and selected raw materials purchased through local distributors provides welcome relief against tax cascading. However, this piecemeal adjustment does not solve the underlying inefficiencies of a single-stage tax structure.

**Dato' Haji Abd Aziz Abu Bakar**
Advisor, SALIHIN
President, Malaysian Association of Tax Accountants (MATA)



A strong tax system rests on trust. With over 265,000 taxpayers on e-Invoicing, better tax administration is funding relief while keeping the deficit on a downward path.

**Dato' Sri Dr. Mohd Nizom Sairi**
Advisor, SALIHIN
Former Chief Executive Officer,
Inland Revenue Board of Malaysia (IRBM)



With federal tax revenue projected to reach RM297.1 billion under Budget 2027, revenue expansion is no longer solely driven by higher tax rates, but by digital compliance and enforcement.

**Tuan Haji Mohd Faried Jamil**
Partner, SALIHIN Tax

# Budget Key Summary

Belanjawan 2027
MALAYSIA MADANI

**Reaching for the Skies, Rooted in the Earth**
(Menggapai di Langit, Mengakar di Bumi)

- **Addressing the cost of living:** STR and SARA are raised to RM16 billion, individual tax rates cut and personal relief increased to RM12,000. The minimum wage rises to RM2,000 from June 2027.
- **Prioritising all states:** a record RM18.7 billion for Sabah and RM16.2 billion for Sarawak, alongside targeted state projects, flood mitigation and affordable housing nationwide.
- **Championing all rakyat:** Bumiputera procurement is raised to RM7.5 billion, the Islamic economy strengthened, and support expanded for the elderly, OKU and gig workers.
- **Raising the quality of public services:** RM47.7 billion for health and almost RM69 billion for education, with school maintenance funding doubled to RM2 billion.
- **Securing national supply and preparedness:** energy transition accelerated with Green Investment Tax Allowance (GITA) incentives extended to 2030, and stronger food security, flood mitigation and cybersecurity.
- **Breaking the economic capability ceiling:**
  - MSME tax rate cut to 14%.
  - RM57 billion in loans and guarantees.
  - Enhanced Global Services Hub incentives.
  - Investment in AI, semiconductors and the JS-SEZ.
- **Preserving national identity:** RM935 million for Visit Malaysia Year 2027, and support for the creative industry, conservation and national unity.
- **Managing public funds with integrity:**
  - The fiscal deficit narrows to 3.3%.
  - Debt-to-GDP falls to 63.7%.
  - The Government Procurement Act takes effect.
  - A new Government-Owned Entities Bill will be tabled.

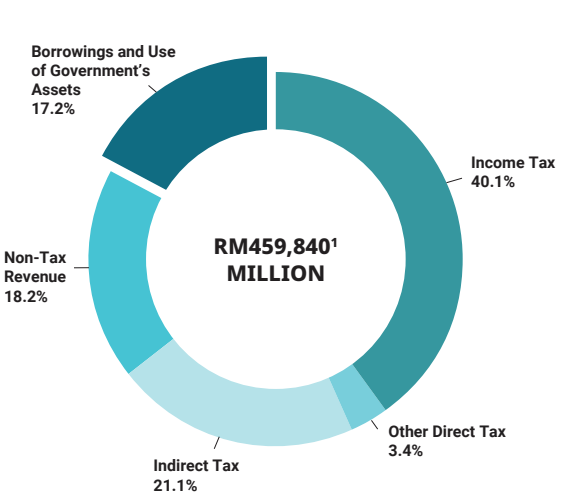



**YAB DATO' SERI ANWAR BIN IBRAHIM**
Prime Minister & Minister of Finance

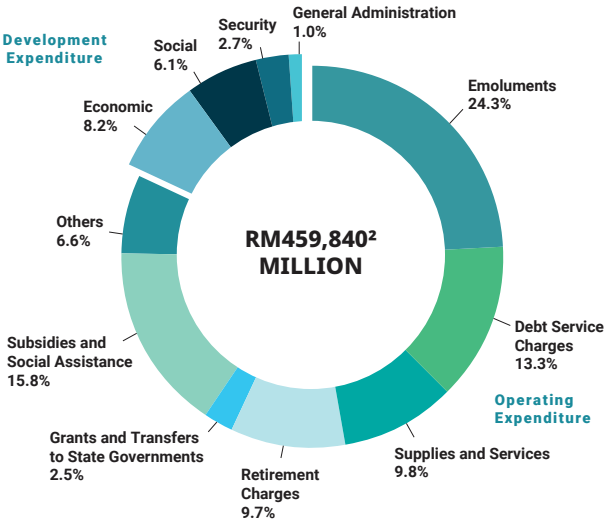
# The Fifth MADANI Budget 2027 Overview

The Fifth MADANI Budget 2027, *Menggapai di Langit, Mengakar di Bumi*, is an expansionary yet disciplined plan. It mobilises **RM510 billion** in total, including a **RM459.8 billion** federal budget, while reducing the fiscal deficit from 3.6% in 2026 to 3.3%. Despite the energy shock from the West Asia crisis, it carefully delivers meaningful tax relief lower rates for MSMEs and middle-income earners.

## The Federal Government Budget Allocation 2027



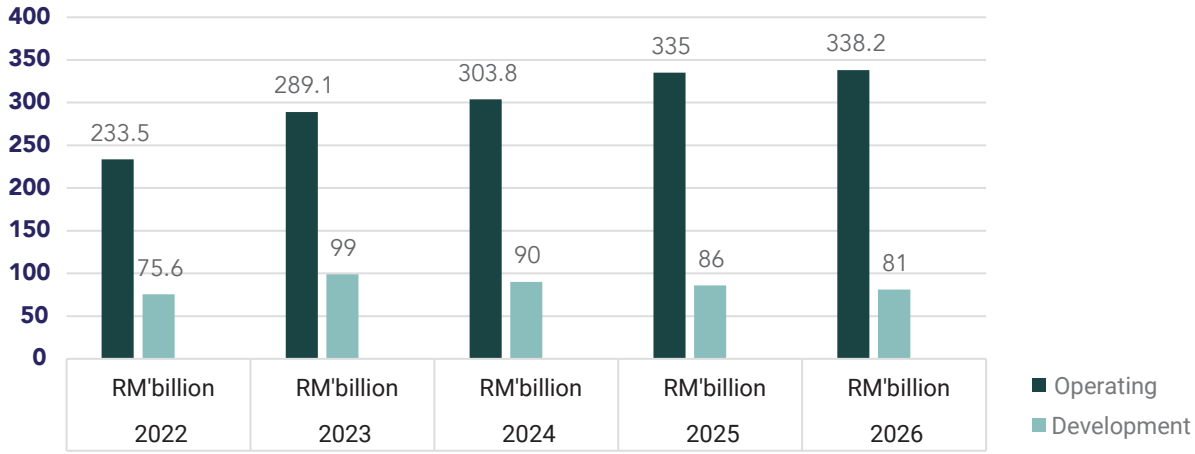

### Where It Comes From




### Where It Goes

[1] Consists of revenue and borrowings | [2] Excludes contingency reserves
Source: Ministry of Finance, Malaysia

## Budget Allocation Comparison



# 2027 Budget Allocation by State

## Key Measures by State

2027 ALLOCATION / KEY MEASURES

### Sabah

- Federal allocation of **RM18.7 billion**, compared with **RM17.6 billion** in 2026.
- Continue the Southern Link transmission line and install STATCOM systems at Dam Road and Segaliud, costing **RM204 million**.
- Continue road projects under the **RM3.3 billion** allocation for Sabah and Sarawak, including Pan
- Borneo Sabah Phase 1B.

  Provide **RM350 million** for Federal road maintenance contractors G1–G4 in Sabah and Sarawak.

### Sarawak

- Federal allocation of **RM16.2 billion**, compared with **RM15.1 billion** in 2026.
- Begin formal negotiations for the Sibu Special Economic Zone, including investment incentives and strategic infrastructure.
- Continue the Sarawak–Sabah Link Road 1 and Trans Borneo Highway development.
- Provide **RM209 million** in subsidies for rural air transport services under AirBorneo.
- Implement the Kuching City flood mitigation project.
- Bintulu Port has been transferred to Sarawak ownership
- Part of the **RM300 million** national Agrofood allocation (Batang Ai's red tilapia project supports local fish farming.)

### Perlis

- Develop the Chuping Valley Development Area and NCER Agribio Economic Zone to create employment and business opportunities.
- Equip the Perlis Inland Port with scanners to facilitate trade and strengthen border security.
- Upgrade the Kuala Perlis Local Entrepreneurs Complex.

### Selangor

- Provide **RM100 million** for retention ponds and river maintenance to mitigate flash floods in the Klang Valley.
- Assess the long-term capacity of Batu and Klang Gates dams over the next 30 years.
- Support semiconductor development through a state-linked investment fund involving Khazanah and the Selangor state government.
- Develop data centre and logistics assets in Elmina through the New Economy Venture Fund.

### Johor

- **132 billion** in recorded investments from 2025 to June 2026. Nexus Sedenak has potential investment of **RM12 billion** and 45,000 jobs; access roads and supporting infrastructure will be upgraded. Forest City will expand its Single Family Office (SFO) framework and introduce a Multi-Family Office (MFO) model.
- Implement the elevated Autonomous Rapid Transit system (e-ART) to address congestion in Johor Bahru. Increase bus routes and frequency, enhance KTM Komuter services and provide Grab Shuttle services ahead of the RTS Link opening.
- New affordable housing project in Kulai.
- Develop the Sedenak industrial hub under JS-SEZ, with potential investment of **RM12 billion** and 45,000 jobs.
- Part of the **RM300 million** national Agrofood allocation (dairy project in Mersing aims to contribute **50%** of Johor's milk production by 2030)

### WP Kuala Lumpur

- DBKL allocation: **RM400 million** for 120 acres of new green space, park rehabilitation, public facilities and housing upgrades. A 22 km covered pedestrian network will connect major landmarks and public transport.
- A 100-acre site at Bukit Kiara will be gazetted as a Federal Park.
- Affordable housing initiatives include Bandar MADANI Bukit Jalil and at least 2,500 Rumah MADANI units at Belfield.

# 2027 Budget Allocation by State (Con't)

## Pulau Pinang

- Establish a **RM100 million** Strategic Investment Fund by Khazanah and InvestPenang to support early-stage semiconductor and advanced manufacturing companies.
- Healthcare development in Penang through a NICE elderly-care centre.
- Rebuild hawker facilities at Hill Trace, Georgetown.
- Install new body and baggage scanners at Penang International Airport.

## Perak

- Strengthen Lumut Maritime Industrial City (LuMIC) as a maritime hub.
- Develop Automotive Hi-Tech Valley in Tanjong Malim as a regional automotive hub.
- Upgrade the Buntong Market in Ipoh and provide a 100-bed hostel for Orang Asli students in Kinta.

## Kedah

- Strengthen Kulim Hi-Tech Park as a semiconductor investment hub.
- Prioritise the Five-Crop Seasons in Two Years paddy cultivation programme in the MADA area.
- Develop the Inland Container Depot access route at Bukit Kayu Hitam to improve cargo movement.
- Upgrade the Kuala Kedah hawker and food court facilities.

## Kelantan

- Plan the Lebir Dam project as a long-term solution to flooding and water supply issues.
- Continue construction of the Machang Water Treatment Plant and replacement of ageing water pipes.
- Implement Phase 2 of the Sungai Golok flood mitigation project.
- Construct Orang Asli kindergarten facilities in Gua Musang.

## WP Labuan

- Duty-free purchase limit for visitors raised to **RM10,000** (shared with Langkawi). Labuan IBFC cross-border financing framework.

## Melaka

- Develop the Melaka Centre of Excellence to provide high-technology TVET training and employment opportunities.
- Implement river rehabilitation and flood mitigation works at Sungai Rambai.
- Establish a new Permata Kurnia Centre for children with autism.
- Implement a new affordable housing project in Paya Rumput.

## Negeri Sembilan

- Accelerate Malaysia Vision Valley 2.0 through new road infrastructure from KLIA to Bandar Enstek.
- Upgrade the Pajam–Nilai–Salak road and implement the Klang Valley Dual Track 2 project.
- Implement a new affordable housing project in Nilai.

Develop an integrated health complex in Rembau.

## Pahang

- Support industrial development along the ECRL corridor,including heavy industry in Bentong and housing near KotaSAS station.
- Establish a new Permata Kurnia Centre for children with autism.
- Reconstruct and upgrade hawker facilities at Jalan Chui Yin, Bentong.

## Terengganu

- Upgrade ecotourism destinations including Setiu Wetlands, Tasik Kenyir, Pulau Tenggol and Pulau Bidong.
- Construct a regional sewage treatment plant and sewerage network in Kuala Terengganu.
- Implement the Sungai Kemaman flood mitigation project.
- Develop a new affordable housing project in Lembah Pertang.

# Economic Performance and Outlook

## Malaysia's Economy in 2027

Malaysia enters 2027 on a firm footing. The economy grew 5.7% in the first half of 2026 despite the energy shock from the West Asia conflict, and full-year growth is expected near the top of the revised 4.8%–5.3% range. Growth is forecast to moderate to 4.2%–5.2% in 2027, led by domestic demand, with private investment rising 7.1% and private consumption 4.8%. Inflation is expected to stay manageable at 1.8%–2.8%, while unemployment holds at 3.0%.

## Key Economic Indicators

| Indicator | 2025 | 2026e | 2027f |
|---|---|---|---|
| Real GDP growth | 5.2% | 4.8%–5.3% | 4.2%–5.2% |
| Nominal GDP | RM2,025.4 bil | RM2,185.5 bil | RM2,319.1 bil |
| GNI per capita | RM57,219 | RM60,927 | RM63,015 |
| Inflation (CPI) | 1.4% | 1.5%–2.5% | 1.8%–2.8% |
| Unemployment rate | 3.0% | 3.0% | 3.0% |
| Total trade | RM3,062.0 bil | RM3,895.5 bil | RM4,021.8 bil |
| Gross exports growth | 6.6% | 31.0% | 3.0% |
| Current account (% of GNI) | 1.7% | 2.0% | 1.9% |

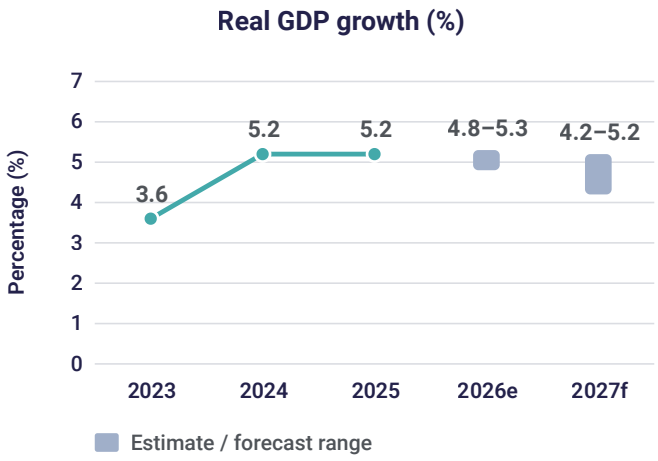
e = estimate; f = forecast.

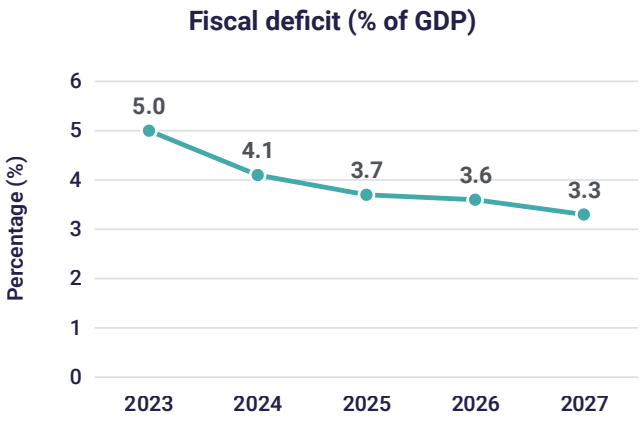
## Federal Government Finance (RM billion)

| Item | 2025 | 2026 (revised) | 2027 (budget) |
|---|---|---|---|
| Revenue | 336.1 | 363.6 | 380.8 |
| Operating expenditure | 330.8 | 363.1 | 376.8 |
| Development expenditure (net) | 80.6 | 79.1 | 81.5 |
| Overall balance | -75.3 | -78.5 | -77.5 |
| Fiscal deficit (% of GDP) | 3.7 | 3.6 | 3.3 |
| Federal Government debt (% of GDP) | 65.2 | 63.1 (end-June) | – |

2027 figures are budget estimates before Budget 2027 measures, and development expenditure is net of loan recoveries, so they differ from the RM459.8 billion federal allocation in the speech. The 2026 operating expenditure was revised up mainly because fuel subsidies rose to about RM40 billion.

# Economic Performance and Outlook (Con't)

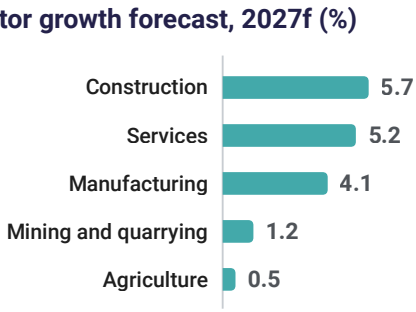


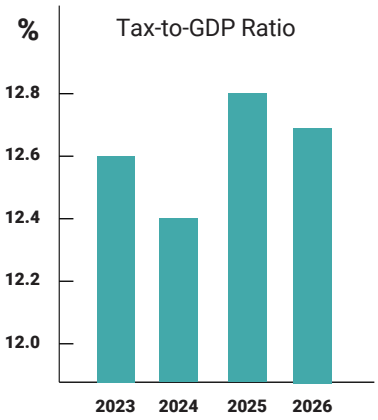



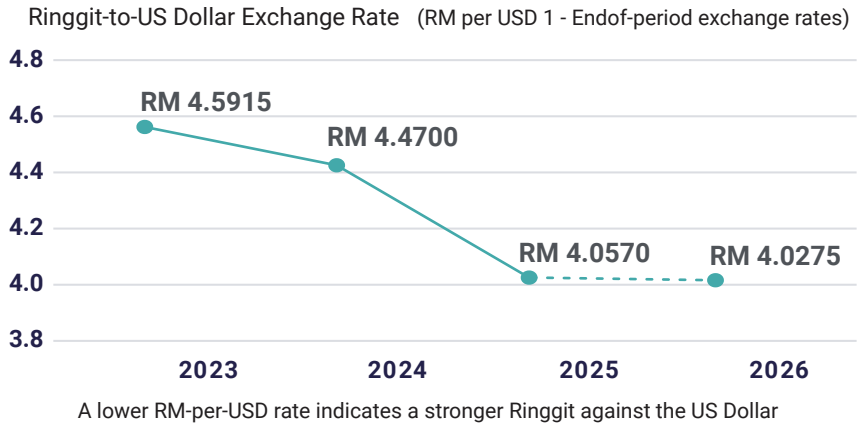

## GDP Growth by Sector (%)

| Sector | Share of GDP 2026 | 2025 | 2026e | 2027f |
|---|---|---|---|---|
| **Services** | 59.7 | 5.4 | 5.5 | 5.2 |
| **Manufacturing** | 23.2 | 4.5 | 6.2 | 4.1 |
| **Agriculture** | 5.7 | 2.2 | -2.1 | 0.5 |
| **Mining and quarrying** | 5.6 | 0.6 | 2.6 | 1.2 |
| **Construction** | 4.4 | 12.2 | 6.4 | 5.7 |
| **Real GDP** | 100.0 | 5.2 | 4.8–5.3 | 4.2–5.2 |

Shares do not add up to 100% due to rounding and the exclusion of import duties.




A lower RM-per-USD rate indicates a stronger Ringgit against the US Dollar

Source: Ministry of Finance Malaysia and Bank Negara Malaysia

# Economic Performance and Outlook (Con't)

## Economic Highlights

### IMD World Competitiveness

**15th**

2026 ranking, up 19 places in two years

Malaysia rose to 15th in the IMD World Competitiveness Ranking 2026, up 19 places in two years and its best position in more than a decade.

### E&E exports

**+46.7%**

to RM656.1 billion, Jan–Aug 2026

E&E exports surged 46.7% to RM656.1 billion in January–August 2026, with semiconductors making up more than 65% of E&E exports.

### Approved investments

**RM431.1bn**

record, 2025

Approved investments reached a record RM431.1 billion in 2025, with domestic investment contributing 51.6% (RM222.4 billion).

### Tourism

**42.2m**

foreign visitors, 2025

Malaysia welcomed 42.2 million foreign visitors in 2025. Tourism contributed 15.9% of GDP and helped deliver the first services trade surplus since 2011 (RM5.3 billion).

### Federal Government debt

**63.1%**

of GDP, end-June 2026

Federal Government debt eased to 63.1% of GDP at end-June 2026, from 65.2% at end-2025.

### Capital market

**1,725.88**

FBM KLCI, end-August 2026

The FBM KLCI closed at 1,725.88 at end-August 2026, with market capitalisation of RM2.19 trillion.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.



# Economic Performance and Outlook (Con't)

## Labour Market Snapshot

| Area | Insight |
|---|---|
| **Labour income share** | Compensation of employees was **33.9%** of GDP in 2025, below the MADANI Economy target of **45%**. |
| **Foreign workers** | Registered low-skilled foreign workers fell **2.9%** to 2.08 million at end-August 2026. The 13th Malaysia Plan caps foreign workers at **10%** of total employment by 2030. |
| **GLC living wage** | **91.7%** of GLC employees (189,817 of 206,987) earned at least **RM3,100** a month by December 2025. Budget 2027 raises the benchmark to **RM3,400**. |

## Tax and Policy Watch

| Area | What the Economic Outlook says |
|---|---|
| **e-Invoicing** | By end-August 2026, more than 265,000 taxpayers had submitted e-Invoices, with over 1.8 billion e-Invoices issued since launch. LHDN also announced a higher e-Invoicing exemption threshold on 30 August 2026. |
| **Carbon pricing** | The carbon tax remains in the planning stage and will start with the iron and steel industry, alongside a planned Emissions Trading Scheme. The National Carbon Market Policy (2026) lays the foundation. |
| **Social exchange** | Bursa's first social exchange, Impakrintas, began operating on 19 February 2026. Contributions through the platform are eligible for tax treatment under the Income Tax Act 1967. |
| **Wages** | The Government will review the minimum wage and living wage, and hold tripartite talks on a mandatory structured annual wage increment, with an indicative range of about **3%–5%** a year. |
| **Personal financing** | From 1 January 2027, applicants for new personal financing above **RM100,000** must complete a financial education module. |

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.



# Economic Performance and Outlook (Con't)

## SALIHIN View

Malaysia's fundamentals give businesses a stable base for 2027, but the drivers are changing. Growth is easing from a strong 2026, and the energy shock showed how quickly costs can move. We see three priorities for businesses:

- **Plan for steadier demand, not another export surge.** Exports jumped 31.0% in 2026 on the E&E upcycle but are forecast to grow only 3.0% in 2027.
- **Protect margins.** Producer prices rose 4.6% in January–August 2026, and inflation risks for 2027 are tilted upwards, so pricing, procurement and hedging strategies deserve a fresh look.
- **Expect firmer tax administration.** With the deficit moving from 3.6% to 3.3% of GDP, the Government is relying on stronger compliance, including e-Invoicing, so accurate records and timely filing matter more than ever.

> **Plan ahead, stay ahead.** Use the last quarter of 2026 to stress-test your 2027 budget for higher input costs and to confirm that your tax and e-Invoicing compliance is in order. **SALIHIN Tax** and **SALIHIN Advisory** can carry out a Budget 2027 impact review for your business, covering tax provisions, cash flow and pricing assumptions, so that you can plan for 2027 with confidence.



# 2027 Tax Updates

Budget 2027 delivers meaningful tax relief where it matters most while keeping 2027 inflation contained within the projected 1.8% to 2.8% range. Raising basic individual tax relief to RM12,000 its first increase since 2010 alongside middle-bracket rate cuts puts up to RM1,600 back into the pockets of 5 million working Malaysians. When you combine that with a 1 percentage point corporate tax cut for MSMEs and extended 100% Green Investment Tax Allowances, the government is effectively injecting real liquidity into both households and businesses without driving up consumer prices.



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# Individual Tax

- Proposed **increase of personal tax relief from RM9,000 to RM12,000**, reducing chargeable income by up to RM3,000 and providing additional tax savings
- Individual income tax rates for resident individuals will be reduced and increased as follows:

| 01 INCOME RANGE | 02 INCOME RANGE | 03 INCOME RANGE | 04 INCOME RANGE |
|---|---|---|---|
| Up to RM70,000 | **RM70,001 - RM100,000** | **RM100,001 - RM150,000** | Above RM1 million |
| **No changes** | **19% → 18%**<br>Decrease of 1% point | **25% → 24%**<br>Decrease of 1% point | **30% proposed**<br>Increase of 2% points |

MAXIMUM TAX SAVING UP TO
**RM1,600**

TAX INCREASE UP TO
**RM20,000**

- Broader coverage of qualifying tax relief expenses, including postnatal care, parental and grandparent care, sports shoes, education and children's tuition fees, AI subscriptions, and eligible pet-related expenses.

| Type of relief | Current | Proposed expansion |
|---|---|---|
| Medical treatment | Complete medical examination or payment of fees for disease detection test for self, spouse or child | Medical treatment has been expanded to include postpartum care services up to RM3,000.<br><br>Claim on breastfeeding equipment for self / spouse up to RM1,000 |
| Medical for parents | Medical Expenses for parents - Medical treatment, dental treatment, special needs and carer expenses (Medical condition certified by medical practitioner) | Care for parents and grandparents has been expanded to cover all care-related expenses and is no longer limited to healthcare. |
| Lifestyle<br><br>Total lifestyle relief remained capped at RM2,500 | Purchase of books / journal / magazines / newspaper etc. | The expanded tuition and skills fees cover all fields of study and children's tuition |
| | Purchase of personal computer and smart phone or tablet | Purchase of books / journal / magazines / newspaper etc. |
| | Payment of monthly bill for internet subscription | The lifestyle coverage extends to AI subscriptions |
| | Skill improvement / personal development course fee | Vaccination and adoption of pets from registered centers. |

# Individual Tax (Con't)

- Extension tax relief for tourism expenses amounted RM1,000 for year assessment 2026 extended to year assessment 2027.
- An additional RM150 tax relief will be granted to individuals who voluntarily participate in the *Skim Lindung 24 Jam* and *Skim Lindung Kendiri*, encouraging wider social security protection.

**Get in touch with our Tax Experts**




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# Corporate Tax

- Restricts tax deductions on staff remuneration payments are not made through payments made through financial institutions or cashless payment instruments. This restriction applicable for non MSME with effect from YA 2028.

  This restriction promotes greater transparency by improving the traceability of salary payments and supporting tax compliance.

- Special deduction for repayment of PTPTN loan by employer on behalf of their employee made during the period from 1 January 2027 to 31 December 2028, subject to the following condition:-

  - No payment shall be required from the employee for the PTPTN loan.
  - The employee must be employed on a full-time basis.
  - The employee must not be the business owner or related to the employer

- Proposed reduction in income tax rate for MSME as follows, with effect from YA 2027 :

| Income Bracket | Current rate | Proposed rate | Rate adjustment |
|---|---|---|---|
| First RM150,000 | 15% | 14% | ↓ 1% |
| Next RM450,000 | 17% | 16% | ↓ 1% |
| Above RM600,000 (remained unchange) | 24% | 24% | - |

*Tax reduction up to RM6,000 per year of assessment.*

- Proposed new threshold limit for capital allowance for small value assets (SVA) as follows, with effect from YA 2027:

| Description | Current limit | Proposed limit |
|---|---|---|
| Threshold limit for each SVA cost | RM2,000 | RM3,000 |
| Total SVA claim limit for non MSME | RM20,000 | RM30,000 |
| Total SVA claim limit for MSME | No limit | No limit |

- Extends the period for Accelerated Capital Allowance (ACA) for the following qualifying expenditure incurred from 1 January 2027 to 31 December 2030:

  - Purchase of heavy machinery from local manufacturers
  - Purchase of plant and general machinery from local manufacturers
  - Purchase of ICT equipment and computer software package
  - Consultation, licensing and incidental fees related to the development of customised computer software

| Initial Allowance | Annual Allowance |
|---|---|
| 20% | 40% |

# Tax Incentives and Exemptions

- Tax deduction of up to RM5 million on qualifying relocation costs for Fully Malaysian-owned automotive vendor companies relocating their operations to the Automotive Hi-Tech Valley (AHTV), Tanjong Malim, effective from 1 January 2027 to 31 December 2030. This incentive can improve after-tax profitability of relocating operations.

- Extension of Green Technology Tax Incentive for 4 years from YA 2027 to YA 2030 as follows :
  - **GITA Project (Business purposes)** : 100% Investment Tax Allowance for companies undertaking green technology and sustainable projects, EV charging station projects.
  - **GITA Assets (Own Consumption)** : 100% Investment Tax Allowance for companies purchasing green technology assets for their own use. Application shall be made to Malaysia Green Technology and Climate Change Corporation (MGTC)

  However, practically this incentive should be reviewed to extend eligibility to other registered business entities, including such as association conducting business etc.

- Tax deduction for private sector companies that implement approved training programmes under the Bakat MADANI Initiative, effective from 29 June 2026 to 31 December 2030.

- Extension of 40% income tax exemption on statutory income for 3 years from YA 2028 to YA 2030 (previously until YA 2027) for qualifying Shariah-compliant fund management service providers, thereby improving post-tax returns and supporting continued investment in Shariah-compliant fund management activities.

- Expansion of the existing tax deduction on qualifying sukuk issuance costs to include Securities Commission Malaysia-approved costs incurred by Sukuk Prisma issuers, effective from YA 2027 to YA 2030.

- Income tax exemption on grants received under the SRI Sukuk and Bond Grant Scheme for qualifying sukuk and bond issuers, effective from 1 January 2027, to promote the issuance and to allow full grant amount to be used for eligible issuance and sustainability-related costs.

- Extension of the existing 100% income tax exemption on statutory income for three years, from YA 2028 to YA 2030 (previously until YA 2027), for qualifying organisers of international incentive trips, conferences and trade exhibitions, subject to meeting the prescribed minimum annual foreign-participant requirements.

- Extension of 100% income tax exemption on qualifying statutory income for 10 years until YA 2036 (previously YA 2026) derived from the **operation of Malaysian ships**, subject to annual Ministry of Transport verification and prescribed operating expenditure and employee requirements.

- Extension of the income tax exemption for 3 years from YA 2024 to YA 2026 for individual investors investing through Equity Crowdfunding platforms and expanded scope to include investments made through nominee LLPs.

- Extension of income tax exemption for 4 years from YA 2027 until YA 2030 (previously YA 2026) for angel investors financing early-stage technology startups. Allowing eligible investors to continue claiming tax exemptions, reducing their tax liabilities and encouraging private investment in technology-related businesses.

- 5% special tax rate on qualifying income exceeding the specified threshold for newly established GSH Principal Companies or existing GSH companies. The incentive period will be extended for 5 years per application, up to a maximum of 30 years.

## Get in touch with our Tax Experts




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# Indirect Tax, Stamp Duty and Others

## Sales and Services Tax

- Manufacturers may claim a sales tax refund on locally purchased machinery, spare parts, equipment and raw materials used to produce pharmaceuticals, animal feed, fertilisers and pesticides.

- From 1 January 2027, service tax rate on elderly care services will be reduced from 8% to 6%, with a full exemption for annual fees up to RM96,000.

## Stamp duty on financial instruments

- 100% stamp duty exemption on loan agreements and instruments of transfer for 1st residential homes valued at RM500,000 or below.

- 100% stamp duty exemption will be granted on the opening of savings accounts and current accounts effective 1 January 2027.

- Effective 1 January 2027, GSH companies undertaking treasury and fund management activities will be exempt from withholding tax on interest payments and stamp duty on intercompany loan agreements.

- Stamp duty on loan agreements for the purchase or construction of Malaysian ships is fixed at RM2,000 for loans up to RM100 million and RM5,000 for loans exceeding RM100 million.

- Stamp duty on loan and financing agreements under CAKNA II will be fixed at RM10 from 1 January 2027 to 31 December 2030. The same incentive for CAKNA I will be extended until 31 December 2030.

- Effective 1 January 2027, the current 0.5% ad valorem stamp duty on foreign currency loan or financing agreements will be replaced with a tiered cap of RM2,000 for loans up to RM100 million and RM5,000 for loans exceeding RM100 million.

- To encourage alternative financing, stamp duty on peer-to-peer (P2P) loan or financing agreements between micro, small, and medium enterprises (MSMEs) and investors will be remitted to a maximum of RM10 from 1 January 2027 to 31 December 2030.

- Stamp duty exceeding RM10 on second-tier loan agreements between MTCs and financial institutions will be remitted to support early payments to eligible, unrelated MSME suppliers. First-tier agreements remain subject to 0.5% stamp duty. Effective period, 1 January 2027 to 31 December 2030.

## Stamp duty on properties

- For properties valued above RM500,000 but not exceeding RM750,000, 100% exemption will apply to the first RM500,000, while a 50% exemption will apply to the remaining portion.

- 100% stamp duty exemptions will apply to loan agreements and property transfers involving rescue developers and original buyers from 1 January 2027 to 31 December 2030, to help reduce abandoned housing projects.



# Indirect Tax, Stamp Duty and Others (Con't)

## Others

- 100% exemption of entertainment duty will be granted on tickets for local films and local theatre performances in the Federal Territories, effective 2027.

- The duty-free shopping limit in Langkawi and Labuan will increase to RM10,000 for visitors staying at least 48 hours. More Langkawi-made products will also be exempt from import duty to support local businesses.

- Effective 1 January 2027, the duty-free shopping limit in Langkawi and Labuan will be RM10,000 per visitor, subject to a minimum stay of 48 hours. The exemption excludes tyres and tubes, alcoholic beverages, cigarettes, tobacco products, smoking pipes, and electronic cigarettes and vapes. The existing tax treatment for Tioman, Pangkor, Pulau 1 and Forest City will remain unchanged.

- Entertainment duty exemption will be granted for arts, cultural, entertainment and sports activities held at Stadium Merdeka and Stadium Negara, effective 1 January 2027.



### Get in touch with our Tax Experts




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# MSMEs Development

Budget 2027 puts MSMEs firmly at the centre of growth, with a lower tax rate, RM57 billion in loans and guarantees, and expanded microfinancing. Together with support for exports, digitalisation and AI adoption, these measures help MSMEs ease cost pressures and scale up with confidence.



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# MSMEs Development

Budget 2027 supports MSMEs through lower taxes, wider financing and help to grow into new markets.

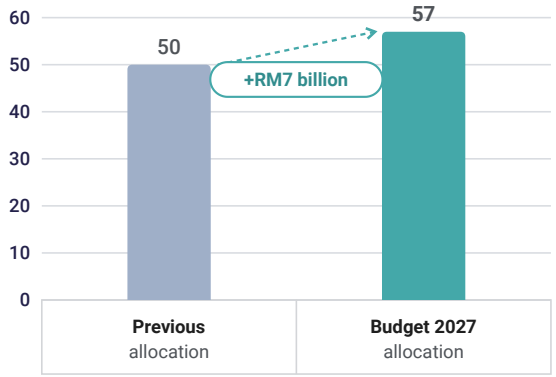
## Total Allocation

**RM57 billion**

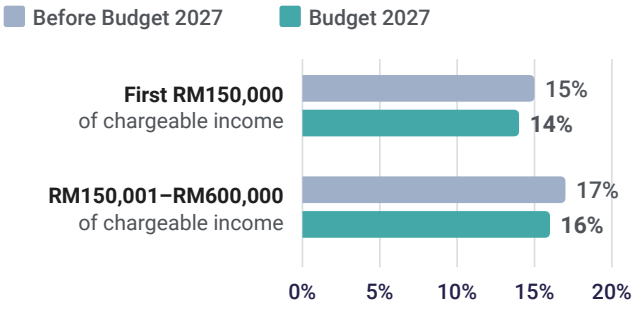
LOANS AND FINANCING GUARANTEES FOR MSMEs

**RM57 billion** total value of government loans and financing guarantees available for MSMEs, an increase from **RM50 billion**.

**MSME loans and financing guarantees (RM billion)**




**MSME income tax rate by chargeable income band**




Source: Budget 2027 speech, 9 October 2026.
Previous rates (15% and 17%) follow from the stated one-percentage-point cut.

## Financing and Guarantees

| Programme | Budget 2027 measure |
|---|---|
| **SJPP / CGC** | SJPP and CGC provide financing guarantees of up to **RM32 billion**. SJPP coverage expands to mid-tier companies in all sectors with a guarantee limit of up to **RM50 million**, and **RM1 billion** is dedicated to local companies expanding through mergers and acquisitions. |
| **Bank Negara Malaysia** | BNM adds another **RM5 billion** to its financing facility for SMEs affected by the West Asia conflict, bringing the total to **RM10 billion**. |
| **TEKUN / AIM** | **RM150 million** in TEKUN and AIM financing to help Indian small entrepreneurs grow their businesses. |
| **BPMB** | BPMB allocates **RM7 billion** across seven strategic sectors, including renewable energy, logistics, aerospace and semiconductors, plus **RM1 billion** to help MSMEs enter export markets. |

Source: Budget 2027 speech, 9 October 2026.

# MSMEs Development (Con't)

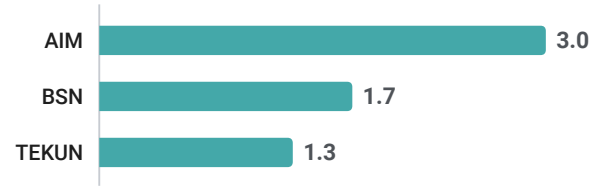
## Micro-financing

**RM6.6 billion**

AIM / TEKUN / BSN

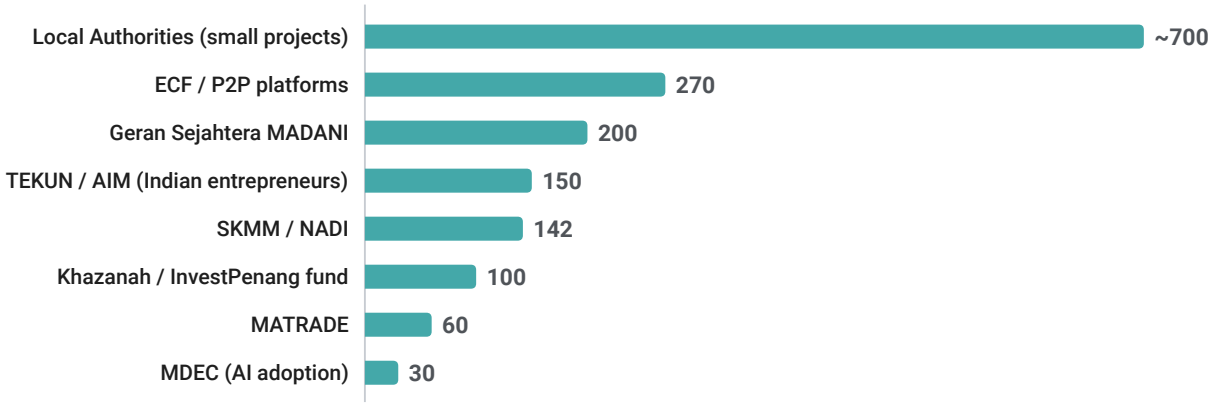
Micro-financing increases to **RM6.6 billion**, including **RM3 billion** through AIM for 360,000 entrepreneurs, **RM1.3 billion** through TEKUN, and **RM1.7 billion** through BSN for youth, gig workers, hawkers and vulnerable groups.

### Micro-financing by channel (RM billion)




Source: Budget 2027 speech, 9 October 2026. The three itemised channels total RM6.0 billion of the RM6.6 billion.

### Targeted MSME programme allocations, Budget 2027 (RM million)




Source: Budget 2027 speech, 9 October 2026. The Local Authorities allocation is stated as "almost RM700 million".

## Market Access, Investment and Digitalisation

| Programme | Budget 2027 measure |
|---|---|
| **MATRADE** | **RM60 million** for MATRADE to build the capability of local companies to penetrate and diversify into overseas markets. |
| **ECF / P2P** | **RM270 million** to attract private capital through Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) platforms for SMEs, mid-tier companies and social enterprises. |
| **Khazanah / Invest Penang** | **RM100 million** Strategic Investment Fund to support early-stage semiconductor and advanced manufacturing companies in Penang. |
| **MDEC** | **RM30 million** from MDEC to help 4,000 MSMEs adopt AI and automate operations, while training and certifying 5,000 AI professionals. |
| **SKMM / NADI** | **RM142 million** to strengthen the NADI platform, helping more young entrepreneurs grow through online business. |

Source: Budget 2027 speech, 9 October 2026.

# MSMEs Development (Con't)

## Small Traders and Local Support

| Programme | Budget 2027 measure |
|---|---|
| **Geran Sejahtera MADANI** | **RM200 million** Geran Sejahtera MADANI provides equipment and training to 40,000 recipients, particularly women. |
| **DBKL** | A **50%** rent reduction throughout 2027 for more than 10,000 small traders renting DBKL premises, with festive bazaar rates from **RM400**. |
| **Local Authorities** | Almost **RM700 million** for small projects in local authority areas, including upgrading and redeveloping hawker centres, markets and public stalls. |

Source: Budget 2027 speech, 9 October 2026.

## MSMEs in the Economy

### MSME contribution

**39.7%**

of GDP in 2025

50% target (2030)

MSMEs contributed 39.7% of GDP in 2025. The 13th Malaysia Plan targets 50% of GDP by 2030.

### SME financing

**RM423.4bn**

SME loans outstanding, end-July 2026

+4.9% loan growth

35.1% of loan disbursements

SME loans outstanding grew 4.9% to RM423.4 billion at end-July 2026, and SMEs received 35.1% of business loan disbursements in January–July 2026.

### Crisis support

**RM2.8bn**

approved for 4,900+ SME accounts by August 2026

RM5 billion facility

BNM's RM5 billion SME Stabilisation Relief Facility had approved RM2.8 billion for more than 4,900 SME accounts by August 2026, alongside an extra RM5 billion of SJPP guarantees with up to 80% cover and 10-year tenure.

### MSME wages

**51.1%**

of total wages paid by MSMEs (2022)

| | |
|---|---|
| Establishments | 93.7% |
| Total wages | 51.1% |

MSMEs account for 93.7% of business establishments but pay only 51.1% of total wages (2022).

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.



# MSMEs Development (Con't)

## SALIHIN View

Budget 2027 gives MSMEs both tax relief and a wider financing window. To benefit fully, MSMEs should act early:

- **Revisit 2027 tax estimates.** The one-point rate cut saves up to RM6,000, but only for companies that still meet the MSME qualifying conditions, so check each company in the group.
- **Get financing-ready.** With RM57 billion in loans and guarantees available, up-to-date management accounts, cash-flow forecasts and tax clearance will speed up applications.
- **Prepare for the new minimum wage.** MSMEs with sales below RM50 million are exempted from the RM2,000 rate from June 2027, but wage expectations will still rise, so workforce costs should be budgeted now.
- Stay e-Invoicing compliant as LHDN deepens digital tax administration, and use the MDEC AI and NADI support to automate routine processes.

> **Turn relief into growth.** Confirm your MSME status and update your 2027 tax estimates before the year begins, and keep your financial records lender ready. Contact **SALIHIN International** should you required assistance to navigate these changes.



# Bumiputera Business Initiative

Budget 2027 moves the Bumiputera agenda from support to scale. Larger procurement for G1 – G4 contractors, RM2 billion in GLIC investment and a RM1 billion land endowment show a clear focus on ownership, capability and growth, guided by PuTERA35 and stronger governance.



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# Bumiputera Business Initiative

Budget 2027 strengthens Bumiputera economic empowerment through procurement, financing, strategic investment and asset ownership.

| PUTERA35 | PUTERA35 continues to drive the Bumiputera economic agenda through an inclusive approach. |
|---|---|

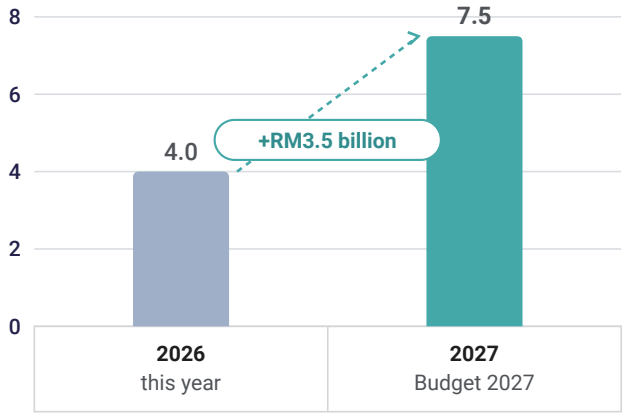
## G1–G4 Contractors

**RM7.5 billion**

GOVERNMENT PROCUREMENT, UP FROM RM4 BILLION

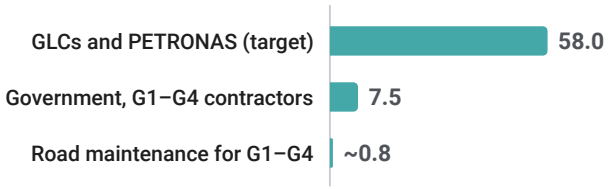
Government procurement for Bumiputera G1–G4 contractors is raised to **RM7.5 billion**, up from **RM4 billion** this year. Limits for maintenance and repair of government facilities are raised to **RM200,000** for direct appointment and **RM3 million** for quotation.

**Government procurement for Bumiputera G1–G4 contractors (RM billion)**




Source: Budget 2027 speech, 9 October 2026. "This year" in the speech refers to 2026.

**Bumiputera procurement opportunities (RM billion)**




Source: Budget 2027 speech, 9 October 2026. Procurement values only; the road maintenance share is stated as "almost RM800 million".

## GLC / PETRONAS

**RM58 billion**

PROCUREMENT TARGET FROM BUMIPUTERA COMPANIES

GLCs and PETRONAS target **RM58 billion** in procurement from Bumiputera companies. GLC procurement guidelines, unchanged since 2006, will be revised from 2027.

## Other Procurement Measures

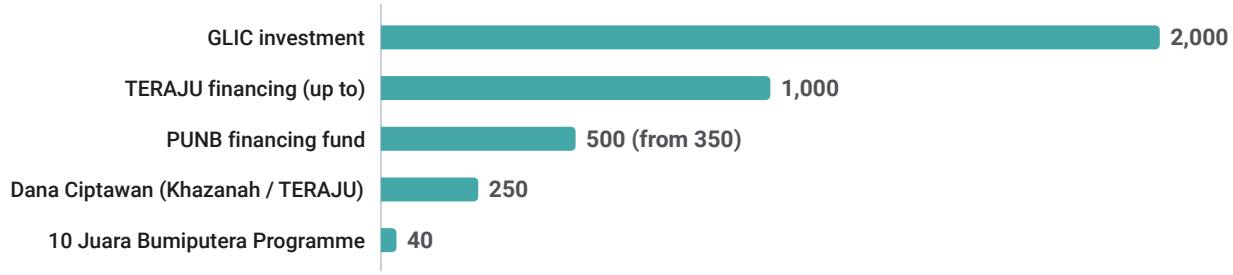
| Programme | Budget 2027 measure |
|---|---|
| **Road Maintenance** | Almost **RM800 million** of the **RM2.5 billion** Federal road maintenance allocation is reserved for G1–G4 contractors. |
| **Solar / LSS6** | A **RM1.5 billion** centralised solar park for government buildings opens opportunities for Bumiputera construction, engineering and maintenance firms. A further 150MW under LSS6 is dedicated to Bumiputera companies. |

Source: Budget 2027 speech, 9 October 2026.

# Bumiputera Business Initiative (Con't)

## Financing and Strategic Investment

### Bumiputera financing and investment funds, Budget 2027 (RM million)




Source: Budget 2027 speech, 9 October 2026. TERAJU financing is stated as "up to" RM1 billion.

| Programme | Budget 2027 measure |
|---|---|
| **TERAJU** | TERAJU provides financing of up to **RM1 billion**, with strengthened capacity to monitor Bumiputera projects across all ministries, agencies and companies. |
| **PUNB** | The financing fund under Perbadanan Usahawan Nasional Berhad (PUNB) is increased to **RM500 million**, from **RM350 million**. |
| **GLIC** | GLICs will invest **RM2 billion** to empower Bumiputera companies, with Ekuinas and PHB supporting public listings and strategic property ownership. |
| **Khazanah / TERAJU** | A **RM250 million** Dana Ciptawan to support the growth of Bumiputera mid-tier companies. |
| **10 Juara Bumiputera** | **RM40 million** to continue the 10 Juara Bumiputera Programme, developing 15 high-potential companies by 2027. |

Source: Budget 2027 speech, 9 October 2026.

## Progress to Date

### 10 Juara Bumiputera progress

**9**

companies shortlisted for IPO, each targeting RM500 million

Nine high-performing companies have been shortlisted under the 10 Juara Bumiputera Programme for initial public offerings, each targeting a market value of RM500 million.

### GLIC venture funding

**~30**

of 130+ startups backed since 2022 are Bumiputera-owned

Nearly 30 of the more than 130 startups backed through GLIC partner venture funds since 2022 are Bumiputera-owned.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.



# Bumiputera Business Initiative (Con't)

### Strategic Land and Asset Ownership

**50 acres**
strategic land around Kuala Lumpur, valued at RM1 billion: new endowment to Yayasan Pelaburan Bumiputra, the first since 1978

**2,500+**
Rumah MADANI units on almost 11 acres in Belfield, 70% for Bumiputera

**50 acres**
in Kuala Lumpur gazetted as Malay Reserve Land; PETRONAS develops the first 10 acres for affordable housing

| Programme | Budget 2027 measure |
|---|---|
| **Yayasan Pelaburan Bumiputra / PNB** | 50 acres of strategic land around Kuala Lumpur, valued at **RM1 billion**, is provided as a new endowment to Yayasan Pelaburan Bumiputra. This is the first since 1978, and PNB will develop the land for affordable housing and Bumiputera interests. |
| **Malay Reserve Land** | 50 acres in Kuala Lumpur gazetted as Malay Reserve Land, with PETRONAS developing the first 10 acres for affordable housing. Almost 11 acres in Belfield will deliver at least 2,500 Rumah MADANI units, **70%** for Bumiputera. |

Source: Budget 2027 speech, 9 October 2026.

## SALIHIN View

The opportunities for Bumiputera companies are larger in 2027, but so are the expectations on governance and transparency.

- Procurement grows, with RM7.5 billion for G1–G4 contractors and RM58 billion from GLCs and PETRONAS. Revised GLC procurement guidelines and public disclosure under the Government Procurement Act mean contractors need strong documentation and compliance records.
- Companies aiming for a listing through Ekuinas, PHB or the 10 Juara Bumiputera programme should start audit readiness, internal controls and tax health checks two to three years ahead.
- Financing from TERAJU, PUNB and Dana Ciptawan will favour companies with credible business plans and clean, timely financial statements.

**Ready for the bigger stage?** Strengthen governance and financial reporting before bidding for larger contracts, seeking financing or planning a listing. **SALIHIN Outsourcing** can help you strengthen your governance, corporate secretarial and financial reporting ahead of tenders, financing applications or a listing.

# Digital Transformation Initiative

Budget 2027 advances Malaysia's AI ambitions while keeping data sovereignty and security at the core. Through the Sovereign AI Cloud, wider access to AI tools and stronger defences against scams and quantum-era threats, it builds a digital economy that is innovative, inclusive and secure.



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# Digital Transformation Initiative

## Key Figures

**RM6 billion**
for R&D and commercialisation, across ministries

**RM5 billion**
JENDELA total investment in national connectivity

**100,000**
additional free AI subscriptions for young people

**5.7 billion+**
scam calls and SMS already blocked by SKMM

## AI, Skills and Innovation

| Programme | Budget 2027 measure |
|---|---|
| **Sovereign AI Cloud** | The Sovereign AI Cloud is being developed to ensure citizens' data and the nation's strategic information remain under Malaysian control. |
| **AI Untuk Rakyat** | An additional 100,000 free AI subscriptions for young people, now expanded to include new AI applications such as ChatGPT. |
| **Rakyat Digital / Coursera** | Free access to more than 16,000 courses and Professional Certificate programmes from leading global universities and industry organisations, through the Rakyat Digital platform in collaboration with Coursera. |
| **R&D** | **RM6 billion** is allocated across ministries to boost research, development and commercialisation of local innovation. |
| **AI Malaysia Berhad** | Almost **RM15 million** for AI Malaysia Berhad to strengthen a safe and ethical AI ecosystem, towards a target of 200,000 AI-skilled talent. |

## Cybersecurity and Digital Trust

| Programme | Budget 2027 measure |
|---|---|
| **NACSA / SKMM** | Malaysia is recognised at Tier 1, the highest level, for post-quantum cryptography readiness. NACSA and SKMM will develop local data protection technology resilient to quantum computing threats, while strengthening CSCDC Berhad. |
| **NSRC** | The National Scam Response Centre will develop an AI app for the public to check suspicious phone numbers, bank accounts and links before making transactions. SKMM has already blocked over 5.7 billion scam calls and SMS. |
| **MyDigital ID** | MyDigital ID has recorded more than 14 million registered users across 203 public and private services. |

Source: Budget 2027 speech, 9 October 2026.

# Digital Transformation Initiative (Con't)

## Connectivity and Digital Health

| Programme | Budget 2027 measure |
|---|---|
| **JENDELA** | JENDELA strengthens national connectivity with **RM5 billion** in total investment. In 2027, 4G coverage will extend to all Orang Asli villages, alongside connectivity along 7,000km of roads and 1,700km of railway and the SALAM submarine cable. |
| **SKMM** | SKMM invests **RM1 billion** to accelerate the Electronic Medical Records system across health facilities nationwide. |

Source: Budget 2027 speech, 9 October 2026.

## Regulation and Public Service Delivery

| Programme | Budget 2027 measure |
|---|---|
| **CAAM** | **RM50 million** from CAAM to develop a digital airspace management system, a national test site and safety standards for the low-altitude economy, including drones. |
| **E-Commerce Bill** | An E-Commerce Bill will be tabled at the next Parliamentary sitting to strengthen the accountability of online platforms and sellers, and to protect local MSMEs from unfair competition. |
| **STAR Team** | Almost **RM25 million** to speed up government dealings with the public and businesses, led by the STAR team to reduce red tape and compliance costs. |

Source: Budget 2027 speech, 9 October 2026.

## Digital Economy Indicators

**Digital ranking**

**34th**

IMD World Digital Competitiveness Ranking 2025 (36th in 2024)

Malaysia ranked 34th in the IMD World Digital Competitiveness Ranking 2025, up from 36th in 2024.

**AI governance**

**2026–2030**

National AI Action Plan

The National AI Office became AI Malaysia Berhad at end-July 2026, alongside the National AI Action Plan 2026–2030 and the AI Safety Institute (MY-AISafe).

**Data centres**

**59**

data centre and hyperscale projects, 36 operating

As of March 2026, Malaysia had secured 59 data centre and hyperscale projects, 36 of them already operating. The information and communication sector is forecast to grow 7.8% in 2026 and 7.9% in 2027.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.

# Digital Transformation Initiative (Con't)

## SALIHIN View

Budget 2027 makes AI more accessible, but businesses need to adopt it safely and with clear purpose.

- **Start with practical use cases.** Free AI subscriptions, MDEC funding and the new personal relief for AI subscriptions lower the cost of trying AI tools across finance, HR and customer service.
- **Treat cybersecurity as a board-level risk.** The focus on scams, post-quantum readiness and data sovereignty signals tighter expectations on how businesses protect data.
- **Connect systems end to end.** With more than 265,000 taxpayers already on e-Invoicing, integrating accounting, ERP and LHDN systems reduces errors and compliance costs.

> **Make AI work for you.** Start small with AI, but put data governance and cybersecurity controls in place before scaling up. **SALIHIN Digital** can help you identify practical AI use cases, review your cybersecurity controls and connect your accounting systems for e-Invoicing, so that technology investments deliver measurable returns.



# ESG and Sustainability Support

Budget 2027 turns the lessons of the 2026 energy crisis into long-term resilience. Major grid and storage investments, green tax incentives extended to 2030, and stronger funding for conservation and flood mitigation give businesses clear signals to invest in a low-carbon, climate-ready economy.



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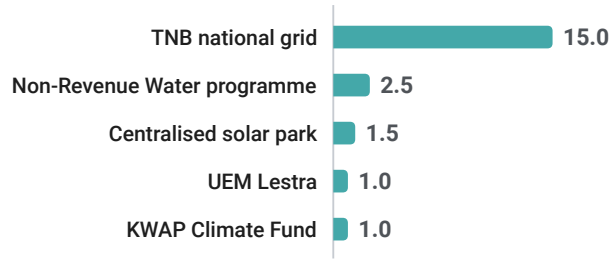
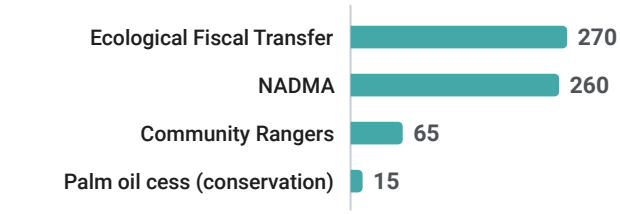
# ESG and Sustainability Support

**Energy and water investment, Budget 2027 (RM billion)**




**Conservation and resilience allocations (RM million)**




Source: Budget 2027 speech, 9 October 2026.

## Energy Transition and Green Incentives

| Programme | Budget 2027 measure |
|---|---|
| **TNB** | TNB invests **RM15 billion** to strengthen the national grid and meet the country's growing electricity demand. |
| **UEM Lestra** | UEM Lestra invests **RM1 billion**, including an energy storage project at KLIA and a 1GW hybrid energy project in Johor. |
| **KWAP** | The **RM1 billion** KWAP Climate Fund will finance green projects such as renewable energy and decarbonisation. |
| **Green Tax Incentives** | The Green Investment Tax Allowance of up to **100%** for green technology projects, EV charging stations and green asset purchases is enhanced and extended to 31 December 2030. |
| **NUR MADANI** | Rebates of up to **RM200** for consumers purchasing energy-efficient air conditioners and refrigerators. |
| **Solar** | TNB will install solar street lights in villages and rooftop solar panels at welfare homes and houses of worship. A **RM1.5 billion** centralised solar park will also power government buildings. |
| **Pengerang Biorefinery** | Developed with Enilive and Euglena, the Pengerang Biorefinery will produce low-carbon fuels including Sustainable Aviation Fuel, HVO and bio-naphtha. |
| **ASEAN Power Grid** | PETRONAS and TNB participation in the ASEAN Power Grid strengthens energy security and regional connectivity. |

Source: Budget 2027 speech, 9 October 2026.

# ESG and Sustainability Support (Con't)

## Conservation, Water and Resilience

| Programme | Budget 2027 measure |
|---|---|
| **Ecological Fiscal Transfer** | The Ecological Fiscal Transfer is increased to **RM270 million** to support states in conserving natural resources through community-based economic and ecotourism activities. |
| **Community Rangers** | **RM65 million** to support around 2,500 community rangers from Orang Asli, armed forces veterans and police retirees, including building and maintaining ranger posts. |
| **Palm Oil Cess** | **RM15 million** from palm oil industry cess will fund conservation of endangered habitats, including those of the Malayan Tiger, Bornean Elephant and Orang Utan. |
| **Marine Protection** | A new buyback initiative for old fishing nets to prevent abandoned nets from harming marine life, with ageing sewerage systems upgraded on Pulau Tuba, Langkawi, Redang and Tioman. |
| **Flood Mitigation** | 82 flood mitigation projects are underway, with new projects in Kuching, Sungai Golok (Phase 2) and Sungai Kemaman. NADMA receives **RM260 million**, and disaster home repair aid is doubled to **RM10,000**. |
| **Non-Revenue Water** | **RM2.5 billion** for the National Non-Revenue Water programme to replace 1,900km of ageing critical pipes. |

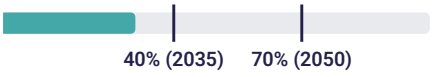
Source: Budget 2027 speech, 9 October 2026.

## Energy and Climate Indicators

### Renewable energy

**31%**

of installed generation capacity, October 2025




Renewables made up 31% of installed generation capacity as at October 2025, against targets of 40% by 2035 and 70% by 2050.

### Grid investment

**RM42.8bn**

TNB grid investment, 2025–2027




TNB is investing RM42.8 billion in the grid over 2025–2027, rising from RM12 billion in 2025 to RM15 billion in 2027, to support 10 GW of renewable energy capacity by 2030.

### Data centre power demand

**20.9 GW**

projected by 2040




Electricity demand from data centres is projected to reach 12.9 GW by 2030 and 20.9 GW by 2040.

### Transition finance

**RM1.7bn**

private funds drawn into 30 projects

More than RM270 million of National Energy Transition Facility financing has drawn RM1.7 billion of private funds into 30 projects.

### Carbon pricing

**Iron & steel**

first sector for the carbon tax

The carbon tax is still in planning and will start with iron and steel, followed by an Emissions Trading Scheme. Malaysia also issued its first two blue sukuk in 2026, by Air Selangor and PAAB.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.

# ESG and Sustainability Support (Con't)

## SALIHIN View

Sustainability is moving from voluntary to expected. Businesses that prepare now will face lower costs later.

- **Measure emissions now.** The carbon tax is still in planning but will start with iron and steel, and suppliers to carbon-intensive industries will feel the effects through their customers.
- Maximised the utilisation of Investment Tax Allowance of up to 100%, extended to 2030, to fund solar, EV charging and energy-efficiency projects.
- **Get reporting-ready.** The National Sustainability Reporting Framework is raising disclosure standards for listed companies, and their supply chains will be asked for data. SMEs can start with the Simplified ESG Disclosure Guide.

> **Get ahead of the carbon curve.** Build your emissions baseline now rather than waiting for the carbon tax, and time green investments to make full use of GITA before 2030. **SALIHIN Sustainability** can help you measure emissions, prepare sustainability disclosures and build a credible transition plan, and application of Green Investment Tax Allowance.



# Islamic Economy Development

Budget 2027 deepens Malaysia's leadership in the global Islamic economy. Tax incentives for Shariah-compliant fund management, tokenised retail sukuk and support for first-time halal certification widen participation in Islamic finance and the halal industry. Together with a higher allocation for Islamic affairs and the revitalisation of pondok education, the budget balances economic growth with spiritual and social well-being.



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# Islamic Economy Development

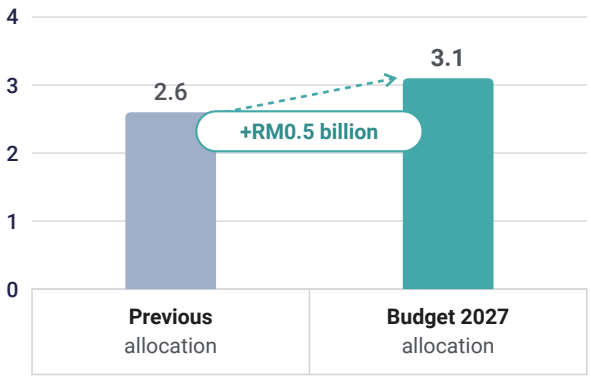
## Islamic Affairs

**RM3.1 billion**

ALLOCATION FOR ISLAMIC AFFAIRS

The allocation for Islamic affairs is increased to **RM3.1 billion**, from **RM2.6 billion**.

**Allocation for Islamic affairs (RM billion)**




Source: Budget 2027 speech, 9 October 2026. Change computed from the stated figures.

## Islamic Finance and Capital Markets

| Programme | Budget 2027 measure |
|---|---|
| **Islamic Fund Management** | Shariah-compliant fund management service providers receive a **40%** income tax exemption for YA2028 to YA2030, positioning Malaysia as a global Islamic fund management centre. |
| **Securities Commission** | Sukuk Prisma issuers qualify for a tax deduction on SC-approved issuance costs for YA2027 to YA2030. Grants under the SRI Sukuk and Bond Grant Scheme are tax-exempt from 1 January 2027. |
| **Tokenised Sukuk** | A Tokenised Retail Savings Sukuk will be introduced on blockchain, letting ordinary Malaysians invest in Government sukuk and choose whether funds go to education, health or social protection for the poor. |
| **EPF** | EPF members under Simpanan Shariah may now pay zakat directly from their dividends, in line with facilities at PNB and Lembaga Tabung Haji. |

Source: Budget 2027 speech, 9 October 2026.

## Halal Economy and Religious Education

| Programme | Budget 2027 measure |
|---|---|
| **Halal Certification** | Matching grants of up to **RM5,000** for MSMEs obtaining halal certification for the first time. Grants of **RM25,000** will also strengthen halal MSMEs in sectors such as cosmetics and pharmaceuticals. |
| **JAKIM** | The allocation for Sekolah Agama Rakyat, tahfiz institutions and registered pondok schools under JAKIM is increased to **RM200 million**, now expanded to cover operational support. |
| **Pondok & Turath Council** | A new Malaysian Pondok and Turath Advisory Council is established with international scholars including Syeikh Ali Gomaa and Syeikh Idris al-Fasi, and a Sijil Turath Malaysia is introduced to sustain pondok institutions. |

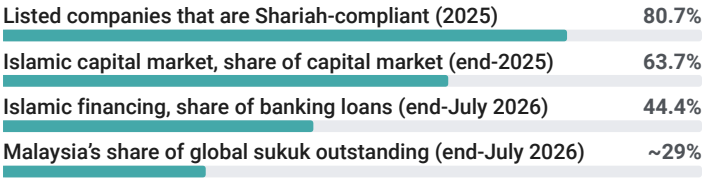
# Islamic Economy Development (Con't)

| Programme | Budget 2027 measure |
|---|---|
| **JAKIM / MDEC** | JAKIM and MDEC provide devices and digital skills training to teachers and students at more than 300 pondok schools nationwide. |
| **Tabung Haji** | Through Tabung Haji, the Government will fully cover PERKESO contributions for all 40,000 imams, bilal, tok siak, noja, marbut and guru takmir. |
| **KAFA** | A special incentive of **RM150** a month for 500 KAFA teachers educating students with special needs, including through sign language and Braille al-Quran. |

Source: Budget 2027 speech, 9 October 2026.

## Islamic Economy Indicators

### Islamic finance at a glance (% share of each total)




**Global sukuk leader.** Malaysia holds about 29% of global sukuk outstanding (end-July 2026), the largest share of any country. A USD1.5 billion global sukuk issued in July 2026 was 4.7 times oversubscribed.

**Islamic banking.** Islamic financing grew 7.9% to RM1,076.4 billion at end-July 2026, or 44.4% of total banking loans and financing.

**Islamic capital market.** The Islamic capital market reached RM2.75 trillion at end-2025, or 63.7% of Malaysia's capital market. 80.7% of listed companies are Shariah-compliant.

**Tokenised sukuk**

**RM100m**

first tokenised sukuk, April 2026

Khazanah issued Malaysia's first tokenised sukuk (RM100 million) in April 2026, paving the way for the Tokenised Retail Savings Sukuk.

**Muslim-friendly tourism**

**1st**

of 150 destinations, Global Muslim Travel Index 2026

Malaysia ranked 1st of 150 destinations in the Global Muslim Travel Index 2026.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.

# Islamic Economy Development (Con't)

## SALIHIN View

Budget 2027 strengthens Malaysia's position as the global hub for Islamic finance and halal business, with clear openings for businesses.

- Fund managers should plan Shariah-compliant mandates now to benefit from the 40% income tax exemption for YA 2028 to YA 2030.
- Companies seeking long-term financing should consider sukuk, supported by the Sukuk Prisma cost deduction and tax-exempt SRI Sukuk and Bond grants.
- MSMEs should pursue halal certification, using the matching grant of up to RM5,000, to reach the export and tourism markets where Malaysia already leads.

> **Grow with Shariah confidence.** Consider Shariah-compliant structures and halal certification early, as the new incentives reward businesses that are ready to act. **SALIHIN Shariah** can support Shariah governance, compliance and zakat matters for fund managers, sukuk issuers and businesses seeking halal or Shariah-compliant status.



# TVET and Professional Talent Development

Budget 2027 puts TVET and professional talent at the centre of Malaysia's high-value ambitions. With RM8 billion for TVET, RM3 billion through HRD Corp for 3 million training opportunities including continuing professional development, a new RM2,500 wage floor for graduate and semi-skilled jobs, and tax deductions for employers who invest in Bakat MADANI, the message is clear: skills now drive both wages and competitiveness.



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# TVET and Professional Talent Development

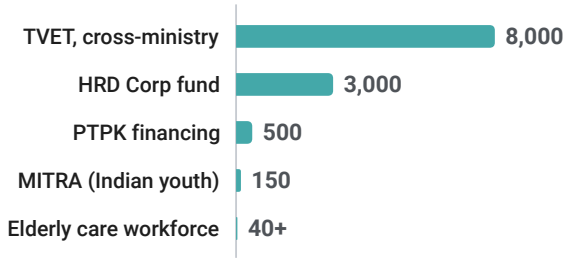
## TVET

**RM8 billion**

CROSS-MINISTRY TVET ALLOCATION

The total cross-ministry allocation for Technical and Vocational Education and Training (TVET) is increased to **RM8 billion**, from **RM7.9 billion**.

**Skills and training funding, Budget 2027 (RM million)**




Source: Budget 2027 speech, 9 October 2026. Elderly care training is stated as "more than RM40 million".

## Training Funding and Programmes

| Programme | Budget 2027 measure |
|---|---|
| **HRD Corp** | HRD Corp offers 3 million skills training opportunities through a **RM3 billion** fund, including continuing professional development for professionals. |
| **PTPK** | PTPK provides **RM500 million** to finance trainees in skills programmes at public and private training institutes registered with PTPK. |
| **Bakat MADANI** | Bakat MADANI targets 30,000 new job opportunities in 2027, with a tax deduction for private companies that run Bakat MADANI training programmes. |
| **Youth Skills** | CIDB will train 10,000 youth in robotics and digital technology, MARA will train and place 1,000 Bumiputera youth in high-growth sectors, and MITRA receives **RM150 million** for training and employment of Indian youth. |
| **Specialised TVET pathways** | ADTEC JTM opens high-skilled automotive careers for graduates through its Advanced Automotive Technology Programme. Armed forces personnel leaving service receive skills training with MIAT and Akademi Laut Malaysia, and community colleges offer short courses for tahfiz students. |
| **AI and digital professionals** | AI Malaysia Berhad targets 200,000 AI-skilled workers, and MDEC will train and certify 5,000 AI professionals. Through Rakyat Digital and Coursera, Malaysians get free access to more than 16,000 courses and Professional Certificate programmes. |
| **Care workforce** | More than **RM40 million** through HRD Corp to train 8,000 elderly care workers, opening new careers in the care economy. |

Source: Budget 2027 speech, 9 October 2026.

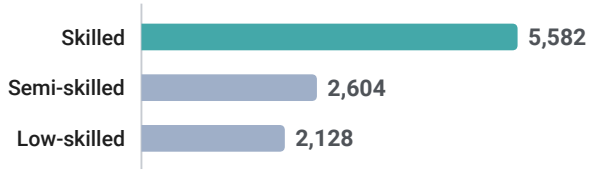
# TVET and Professional Talent Development (Con't)

## Wages and Tax Incentives

| Programme | Budget 2027 measure |
|---|---|
| **Employer tax deductions** | Companies running Bakat MADANI training programmes can claim a tax deduction from 29 June 2026 to 31 December 2030. Employers who repay PTPTN loans on behalf of their employees can also claim a deduction for repayments made from 1 January 2027 to 31 December 2028. |
| **Graduate wage floor** | A new minimum wage of **RM2,500** a month is introduced for semi-skilled and graduate jobs. GLICs and GLCs raise their living wage benchmark to **RM3,400**, benefiting 230,000 workers. |
| **Upskilling tax relief** | Individual tax relief for education and skills course fees is expanded to cover all fields of study, supporting self-funded professional development. |

Source: Budget 2027 speech, 9 October 2026.

### Average monthly wage by skill level, 2024 (RM)




**Skills premium.** Skilled workers earned an average of RM5,582 a month in 2024, compared with RM2,604 for semi-skilled and RM2,128 for low-skilled workers.

Source: Economic Outlook 2027, Ministry of Finance Malaysia.

**2026 progress**

**1.5m**

HRD Corp training sessions by July 2026 (almost)

By July 2026, HRD Corp had delivered almost 1.5 million training sessions, GIATMARA had taken in more than 3,800 new trainees and TVET@PerdaTech about 1,000 students.

**1:3 Industrial Training Policy**

**1:3**

paid placements per expatriate hired, up to three

Fully in force from June 2026, the policy requires employers to provide up to three paid industrial training placements for every expatriate hired, under the National Structured Internship Programme (MySIP).

**Graduate underemployment**

**35%**

about, Q2 2026

About 35% of tertiary-educated Malaysians were working in jobs below their qualifications in Q2 2026.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.



# TVET and Professional Talent Development (Con't)

## SALIHIN View

Talent is now one of the biggest constraints on growth. Budget 2027 shifts the focus to industry-led TVET and professional skills, and gives employers more reasons to invest in their people.

- Claim the employer deductions for Bakat MADANI training programmes (from 29 June 2026) and for PTPTN repayments made on behalf of employees (2027–2028), and build them into staff benefit packages.
- **Review graduate and semi-skilled pay.** The new RM2,500 minimum for these jobs is a good time to benchmark pay structures and link increments to certified skills.
- **Plan industrial training places if you hire expatriates.** The 1:3 Industrial Training Policy requires up to three paid placements for every expatriate hire.
- **Build AI and professional certification pathways.** With about 35% of graduates working below their qualifications, HRD Corp's RM3 billion fund, which now covers continuing professional development, can help close skills gaps.

> **Invest in talent that pays back.** Treat training as a strategic investment, and plan it around the funding and tax deductions available so that every ringgit spent on skills goes further. **SALIHIN Academy** can design training and continuing professional development programmes for your organisation.



# Borneo Focus (Sabah & Sarawak)

Budget 2027 gives Sabah and Sarawak their highest federal allocations yet, backed by real progress on MA63 commitments. From a permanent representative in LHDN to the Sibu Special Economic Zone and cross-border trade with Kalimantan, Borneo is positioned as a growth frontier for investors and local businesses.



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# Borneo Focus (Sabah & Sarawak)

Sabah and Sarawak remain key priorities under Budget 2027, with a combined allocation of **RM34.9 billion**, the highest allocation among all states. Significant investments have been directed towards infrastructure, energy, transportation, education and regional economic development. This continued focus on Borneo reflects the Government's commitment to unlocking new growth opportunities, attracting investments and improving the quality of life for communities across both states.

**Sarawak**

**RM16.2 Billion**

**Sabah**

**RM18.7 Billion**

## Federal–State Relations

| Programme | Budget 2027 measure |
|---|---|
| **Special Grant** | The Special Grant for Sabah and Sarawak has been raised three times under the MADANI Government, with the latest interim amount at **RM1.5 billion**, to be paid before year-end. Negotiations continue on a fair and sustainable annual formula. |
| **MA63** | Twelve MA63 matters have been finalised, including a permanent Sabah and Sarawak representative in LHDN and the transfer of Bintulu Port to Sarawak. Regulatory power over electricity has passed to Sabah, with the Federal Government still providing **RM600 million** to secure supply. |
| **AirBorneo** | MASWings has been transferred to Sarawak as AirBorneo, while the Federal Government continues to provide a **RM209 million** subsidy benefiting 820,000 rural passengers. |
| **Sibu SEZ** | The Federal Government will begin formal negotiations with Sarawak on the Sibu Special Economic Zone, covering the incentive framework, a one-stop investment facilitation centre and strategic infrastructure needs. |

Source: Budget 2027 speech, 9 October 2026.

## Infrastructure and Connectivity

| Programme | Budget 2027 measure |
|---|---|
| **Roads** | **RM3.3 billion** is allocated for road projects in Sabah and Sarawak, including the Trans Borneo Highway. Sarawak-Sabah Link Road 1 and Pan Borneo Sabah Phase 1B are targeted for completion by end-2027, and **RM350 million** in Federal road maintenance is reserved for local G1–G4 contractors. |
| **Sabah Electricity** | **RM204 million** to install Statcom systems at the Dam Road and Segaliud main intake substations, while the Southern Link transmission line project continues to secure long-term supply in Sabah. |

# Borneo Focus (Sabah & Sarawak) (Con't)

## Infrastructure and Connectivity (Con't)

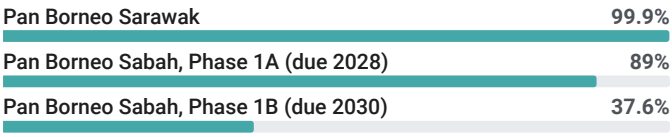
| Programme | Budget 2027 measure |
|---|---|
| **Tebedu–Entikong** | Malaysia and Indonesia agree to speed up the reopening of the Tebedu–Entikong trade route, with road infrastructure upgraded along the Sabah, Sarawak and Kalimantan borders. |
| **MAHB** | **RM1.1 billion** with MAHB to upgrade roads in port and airport areas, including Kota Kinabalu, Miri, Tawau and Sandakan, as well as the Long Banga and Ba'Kelalan STOLports. |
| **Flood Mitigation** | A new flood mitigation project for Kuching City (RTB Bandaraya Kuching) will begin in 2027. |

## People and Services

| Programme | Budget 2027 measure |
|---|---|
| **JPA Scholarships** | JPA scholarship offers for Sabah- and Sarawak-born students are doubled, giving 4,200 students the opportunity to pursue higher education every year. |
| **Schools** | Almost **RM1.3 billion** is allocated to upgrade 682 dilapidated schools, particularly in Sabah and Sarawak. |
| **Rural Supply** | **RM250 million** to expand distribution of basic goods to rural and interior areas, including new locations at Kampung Terian, Penampang, Sabah and Kampung Dato' Godam, Pusa, Sarawak. |

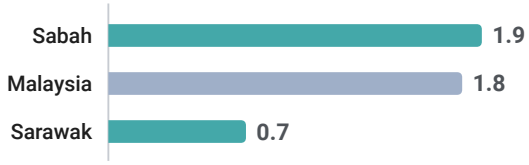
## Borneo Indicators

### Pan Borneo Highway, completion




**Pan Borneo progress.** Pan Borneo Sabah (RM24.9 billion): Phase 1A is 89% complete (due 2028) and Phase 1B 37.6% (due 2030). Pan Borneo Sarawak is 99.9% complete. Phase 1 of the RM8.8 billion Sarawak–Sabah Link Road is due in 2027.

### Inflation, January–August 2026 (%)




**Prices.** Inflation averaged 1.9% in Sabah and 0.7% in Sarawak in January–August 2026, against 1.8% nationally.

### Sabah electricity grid

**RM1.9bn**

18 Sabah and Labuan grid projects

RM1.9 billion covers 18 Sabah and Labuan grid projects, two of which were completed by August 2026.

### Energy projects

**3**

gas projects supporting 2027 growth

Gas projects supporting 2027 growth include PFLNG3 in Sipitang, Sabah, and Kasawari Phase 2 and Rosmari-Marjoram in Sarawak.

Source: Economic Outlook 2027 (Tinjauan Ekonomi 2027), Ministry of Finance Malaysia, 9 October 2026.

Source: Budget 2027 speech, 9 October 2026.

# Borneo Focus (Sabah & Sarawak) (Con't)

## SALIHIN View

Sabah and Sarawak are becoming growth frontiers, with record allocations and progress on MA63.

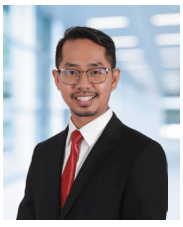
- Infrastructure spending, including RM3.3 billion for roads and RM350 million in maintenance reserved for local G1–G4 contractors, opens opportunities for local firms that meet tender and compliance requirements.
- A permanent Sabah and Sarawak representative in LHDN should help resolve local tax issues. Businesses should still keep federal and state obligations in order.
- Investors interested in the Sibu Special Economic Zone should follow the incentive negotiations closely before committing capital.

> **Your partner on the ground in Borneo.** Make sure tender, tax and licensing compliance is in order to capture the infrastructure and investment opportunities in Sabah and Sarawak. With more than two decades in Sarawak, the **SALIHIN Sarawak Desk** can guide investors and local businesses on federal and state requirements, tender readiness and the incentives available in Sabah and Sarawak.



# High Growth, High Value Industries

Budget 2027 makes clear where Malaysia's next wave of quality jobs will come from: semiconductors, AI and data centres, energy transition, aerospace, pharmaceuticals and advanced manufacturing. With electrical and electronics (E&E) exports up 46.7% so far this year and incentives now tied to outcomes, the winners will be businesses that move up the value chain, build local supply chains and invest in skilled talent. These industries offer not just growth, but higher incomes for Malaysians.



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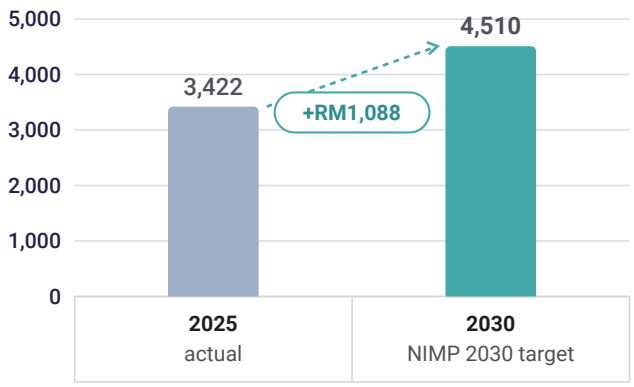
# High Growth, High Value Industries

## Higher-Value Jobs

Budget 2027 directs incentives, capital and talent towards industries that create high-value jobs. The New Industrial Master Plan 2030 targets a median manufacturing wage of **RM4,510** by 2030, up from **RM3,422** in 2025.

**Median manufacturing wage (RM per month)**




**+46.7%**
E&E exports, to RM656.1 billion (Jan–Aug 2026)

**~13%**
of the global chip test and packaging market

**59**
data centre and hyperscale projects (36 operating)

**~120,000**
electrified vehicles expected to be sold in 2026

**Capital for high-growth industries, Budget 2027 (RM billion)**




Source: Budget 2027 speech, 9 October 2026.

## Industries and Measures

| Industry | Budget 2027 measures and outlook |
|---|---|
| **Semiconductors and E&E** | E&E exports surged **46.7%** to **RM656.1 billion** in January–August 2026, and Malaysia holds about **13%** of the global chip test and packaging market. Khazanah and KWAP will invest **RM1.2 billion** to move local semiconductor companies into higher-value segments, Khazanah and InvestPenang set up a **RM100 million** fund for early-stage semiconductor and advanced manufacturing firms, and MTDC's SemiconStart provides follow-on equity to IC design and advanced packaging startups. |
| **AI and data centres** | Malaysia had secured 59 data centre and hyperscale projects by March 2026, 36 of them already operating. A **RM1.25 billion** New Economy Venture Fund will develop data centres and logistics assets in Elmina, Selangor, while incentives for AI and data centre investments will be aligned with energy and water efficiency. The information and communication sector is forecast to grow **7.9%** in 2027. |

# High Growth, High Value Industries (Con't)

## Industries and Measures (Con't)

| Industry | Budget 2027 measures and outlook |
|---|---|
| **Energy transition** | The Green Investment Tax Allowance of up to **100%** is extended to 2030 for green technology projects and EV charging stations. TNB invests **RM15 billion** in the grid in 2027 towards 10 GW of renewable energy capacity by 2030, and the Pengerang Biorefinery will produce Sustainable Aviation Fuel, HVO and bio-naphtha. |
| **Aerospace and medical devices** | **RM2.1 billion** through the NIMP Fund, KWAP's Dana Pemacu and Khazanah's MTC Fund will build the capabilities of mid-tier companies in E&E, digital, aerospace and medical devices. CAAM is developing a digital airspace management system and safety standards for the drone and low-altitude economy. |
| **Pharmaceuticals** | Manufacturers can claim back sales tax on machinery, spare parts and equipment bought from local traders, including raw materials used to make pharmaceuticals. Grants of **RM25,000** support halal MSMEs in pharmaceuticals and cosmetics. |
| **Automotive and EV** | The Automotive Hi-Tech Valley in Tanjong Malim becomes a regional automotive hub, with a tax deduction of up to **RM5 million** on relocation costs for fully locally-owned vendors (2027–2030). About 120,000 electrified vehicles are expected to be sold in 2026. |
| **Maritime and logistics** | The full income tax exemption for Malaysian shipping companies is extended to YA2036, with fixed stamp duty on ship financing. The Lumut Maritime Industrial City (LuMIC) is developed as a maritime hub, and the 122-acre NCT InnoSphere hub serves heavy vehicles, engineering and logistics. |
| **Global business services** | A **5%** special tax rate under the enhanced Global Services Hub incentive from 1 January 2027 supports high-income regional, treasury and shared-services roles. |
| **Talent for high-value jobs** | A new **RM2,500** minimum wage applies to semi-skilled and graduate jobs. MDEC will train and certify 5,000 AI professionals, and Bakat MADANI targets 30,000 new job opportunities in 2027. |

Industry data (exports, market share, data centres, sector growth, wages and vehicle sales) is from the Economic Outlook 2027; measures are from the Budget 2027 speech.



# High Growth, High Value Industries (Con't)

## SALIHIN View

High-growth industries reward companies that move early and climb the value chain. We see four priorities for businesses:

- **Position for the supply chain, not just the anchor investor.** Multinationals in semiconductors, data centres and energy need qualified local suppliers, and the New Incentive Framework rewards local sourcing.
- **Match incentives to the industry.** GITA for green technology, the RM5 million relocation deduction for automotive vendors, the shipping exemption to YA2036 and the sales tax refund for pharmaceutical inputs each come with their own conditions and timelines.
- **Fund the climb.** Mid-tier companies in E&E, aerospace and medical devices can tap the RM2.1 billion NIMP Fund, Dana Pemacu and MTC Fund, while startups can draw on Khazanah, KWAP and MTDC capital.
- **Budget for talent.** High-income industries need skilled people, and rising wage floors mean productivity, automation and training must keep pace.

> **Move up the value chain.** Map where your business fits in the supply chains of these industries, and line up incentives, financing and talent before competitors do. **SALIHIN Advisory** assist your business to identify, model the incentives available and support you through applications, financing and ongoing compliance.



# Strategic Investment and Cross-Border Economy

Budget 2027 sends a clear signal that Malaysia is open for high-value investment. A revamped Global Services Hub incentive, the JS-SEZ package, family office schemes and RM25 billion in GLIC investment create real opportunities for businesses ready to scale, restructure or set up regional operations. The challenge now is execution, and businesses that plan their structures early will capture the most value.



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# Strategic Investment and Cross-Border Economy

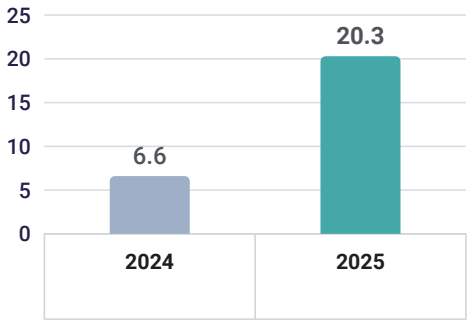
## Investment Momentum

**RM218.5 billion**

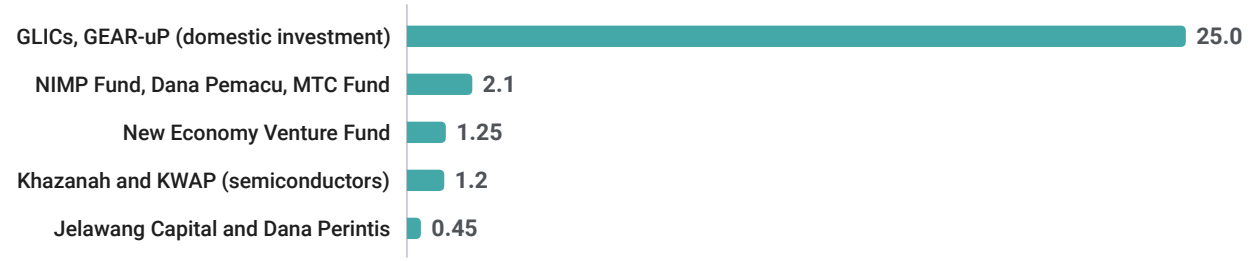
APPROVED INVESTMENTS, FIRST HALF OF 2026

With approved investments reaching **RM218.5 billion** in the first half of 2026, up **11.7%** and on track for a third consecutive record year, Budget 2027 deepens Malaysia's position as a regional investment hub through targeted incentives, strategic capital and cross-border economic zones.

**GEAR-uP deployment (RM billion)**




**Capital committed for investment, Budget 2027 (RM billion)**




Source: Budget 2027 speech, 9 October 2026.

## Investment Incentives

| Programme | Budget 2027 measure |
|---|---|
| **Global Services Hub** | From 1 January 2027, the GSH incentive is enhanced:<br>▪ A **5%** special tax rate on GSH income for new companies.<br>▪ A **5%** rate on income above a set base income for existing Principal Hub or GSH companies.<br>▪ The incentive period is extendable every five years, up to 30 years.<br>▪ Exemptions from withholding tax and stamp duty for treasury and fund management activities. |
| **Family Offices** | The Single Family Office Scheme in Forest City offers zero tax on qualifying income for up to 20 years. A new Multi-Family Office model will allow licensed fund managers to serve multiple families. |
| **Reinvestment Allowance** | The Reinvestment Allowance is under review, including its eligibility criteria and how the incentive is granted, so that it is better targeted and boosts industry competitiveness. |
| **Maritime** | Full income tax exemption for Malaysian shipping companies is extended to YA2036, with fixed stamp duty of **RM2,000** or **RM5,000** on loans to buy or build Malaysian ships. |

# Strategic Investment and Cross-Border Economy (Con't)

| Programme | Budget 2027 measure |
|---|---|
| **Angel & ECF Investors** | Income tax exemption for individual investors through ECF platforms and for angel investors in early-stage tech startups is extended to 31 December 2030. |
| **New Incentive Framework** | In force since 1 March 2026. Incentives are now outcome-based, phased and tiered, linked to quality jobs, technology transfer, local supply chains, R&D and ESG or decarbonisation targets. |

Rows "New Incentive Framework" draw on the Economic Outlook 2027 (Ministry of Finance).

## Strategic Capital

| Programme | Budget 2027 measure |
|---|---|
| **GEAR-uP** | GLICs mobilise **RM25 billion** in domestic investment through GEAR-uP to build economic resilience and strengthen local companies in high-value sectors. |
| **New Economy Venture Fund** | Sime Darby Property, EPF and LTAT set up a **RM1.25 billion** New Economy Venture Fund to develop data centres and logistics assets in Elmina, Selangor. |
| **Khazanah / KWAP** | Khazanah and KWAP invest **RM1.2 billion** to move local semiconductor companies into higher-value segments, including a joint fund with the Selangor Government. |
| **Startups & Mid-Tier** | **RM450 million** through Khazanah's Jelawang Capital and KWAP's Dana Perintis for startups, and **RM2.1 billion** through the NIMP Fund, Dana Pemacu and the MTC Fund for mid-tier companies in E&E, digital, aerospace and medical devices. |
| **Capital Markets** | The SC and the Hong Kong regulator signed a cooperation agreement to ease dual listings for Malaysian companies, with matching grants to cover listing costs. |
| **GEAR-uP track record** | GLICs have committed **RM120 billion** of domestic direct investment for 2024–2028, and deployed **RM20.3 billion** in 2025, three times the **RM6.6 billion** of 2024. |
| **E&E sector** | Malaysia holds about **13%** of the global semiconductor test and packaging market. GLICs invested **RM1.4 billion** in the semiconductor ecosystem in 2025. |
| **Foreign direct investment** | Net FDI inflow reached **RM30.2 billion** in the first half of 2026, mainly into information and communication, professional services, and wholesale and retail trade. |

Rows "GEAR-uP track record", "E&E sector" and "Foreign direct investment" draw on the Economic Outlook 2027 (Ministry of Finance).

# Strategic Investment and Cross-Border Economy (Con't)

## Talent and Ease of Doing Business

| Programme | Budget 2027 measure |
|---|---|
| **Expatriate Spouses** | From 1 January 2027, spouses of Employment Pass Category I holders on a Dependant Pass may work in Malaysia, subject to conditions. |
| **MyABE** | A new MyABE status supports Malaysian companies expanding into ASEAN, with Employment Pass applications facilitated within five working days through the SC and TalentCorp. |
| **DE Rantau** | Existing DE Rantau Nomad Pass holders who have reached the two-year limit are granted two more years to live and work remotely in Malaysia. |

Source: Budget 2027 speech, 9 October 2026.

## Cross-Border Economic Zones

**RM132bn**
JS-SEZ investment, 2025 to June 2026

**RM55.6bn**
Johor approved investment, H1 2026

**RM27bn**
Bukit Kayu Hitam–Sadao trade, H1 2026

**45,000**
potential jobs at Nexus Sedenak (RM12bn)

| Programme | Budget 2027 measure |
|---|---|
| **JS-SEZ** | The Johor–Singapore Special Economic Zone recorded **RM132 billion** in investment from 2025 to June 2026. The JS-SEZ Master Plan and Blueprint will be launched by both Prime Ministers at the end of this year. |
| **Nexus Sedenak** | Nexus Sedenak will become a new industrial pole in the north of the JS-SEZ, with potential investment of **RM12 billion** and 45,000 jobs. A Queen Bee task force will coordinate cross-agency negotiations to attract anchor investors. |
| **Northern Border** | Trade through the Bukit Kayu Hitam–Sadao corridor reached **RM27 billion** in the first half of 2026. The eight Special Border Economic Zones are strengthened, including the 122-acre NCT InnoSphere hub for heavy vehicles, engineering, maintenance and logistics. |
| **Labuan IBFC** | A cross-border financing framework is being developed with Labuan IBFC to simplify multi-currency financing and transactions. |
| **Sibu SEZ** | Formal federal–state negotiations will begin on the Sibu Special Economic Zone, covering the incentive framework, a one-stop investment facilitation centre and strategic infrastructure. |
| **Tebedu–Entikong** | Malaysia and Indonesia will speed up reopening of the Tebedu–Entikong trade route, with border roads in Sabah, Sarawak and Kalimantan upgraded. |
| **Johor** | Johor attracted **RM55.6 billion** of approved investment in the first half of 2026. |

Rows "Johor" draw on the Economic Outlook 2027 (Ministry of Finance).

# Strategic Investment and Cross-Border Economy (Con't)

## Regional Investment Hubs

| Programme | Budget 2027 measure |
|---|---|
| **Penang** | Penang is positioned as the national technology finance centre, with a **RM100 million** Strategic Investment Fund from Khazanah and InvestPenang for early-stage semiconductor and advanced manufacturing firms. |
| **Perak** | The Automotive Hi-Tech Valley in Tanjong Malim becomes a regional automotive hub, with a tax deduction of up to **RM5 million** on relocation costs for local vendors. The Lumut Maritime Industrial City (LuMIC) is developed as a maritime hub. |
| **Johor** | PETRONAS takes full ownership of the Pengerang Integrated Complex, while the Pengerang Biorefinery will produce Sustainable Aviation Fuel, HVO and bio-naphtha. |

Source: Budget 2027 speech, 9 October 2026.

# SALIHIN View

Budget 2027 creates real openings for investors, but incentives now reward outcomes rather than intentions. We recommend that businesses:

- **Review group structures.** Regional and treasury functions may now qualify for the 5% Global Services Hub rate, particularly within the JS-SEZ.
- **Plan capital expenditure early.** With the Reinvestment Allowance under review, manufacturers should assess project timing and track the outcome.
- **Document commitments.** Under the outcome-based New Incentive Framework, jobs, technology transfer and local sourcing commitments become conditions that must be tracked and reported.
- Explore new capital channels, including GLIC funds, SJPP mid-tier guarantees and the Malaysia–Hong Kong dual listing route.

**Structure smart, invest with confidence.** Engage advisers before committing capital, as incentive outcomes now depend on how projects are structured, documented and reported. **SALIHIN International** can assist with reviewing your group structure, model incentive options under the New Incentive Framework and the Global Services Hub, and support you through applications and ongoing compliance reporting.



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- Key highlights and discussion of the 2027 Direct and Indirect Tax Proposals
- Recent developments in Income Tax & Custom Disputes and Litigation Cases
- The Tax Wake-Up Call: Real stories from Malaysian Personalities

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Deputy Chief Executive Officer of Compliance, Inland Revenue Board of Malaysia (LHDN)



**YBhg. Dato' Saniza Said**
Former President of MIA
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**YBhg. Dato' S. Saravana Kumar**
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**YBrs. Puan Norizah Abdullah**
Director of Customs (Compliance Management Division), Royal Malaysian Customs Department (RMCD)



**Puan Asmah Ibrahim**
Deputy Director of Customs (Prosecution and Appeals Branch, Enforcement Division), Royal Malaysian Customs Department (RMCD)



**Dr. Mohd Afzanizam Abdul Rashid**
Chief Economist,
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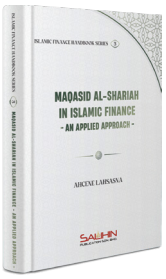


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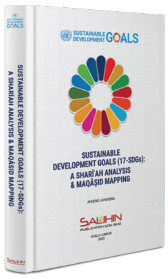


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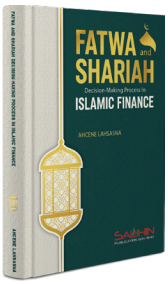


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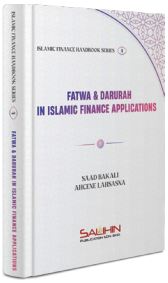


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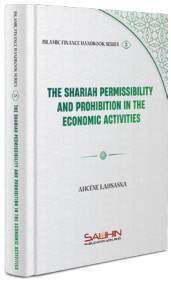


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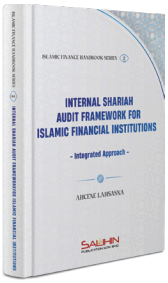


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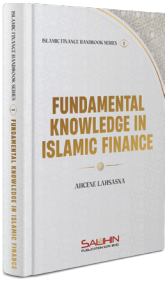


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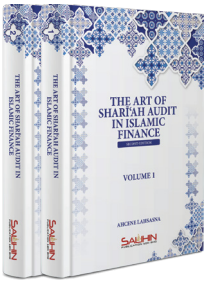


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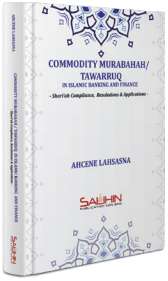


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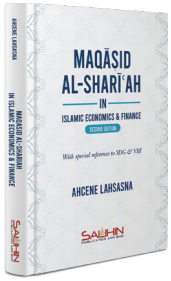


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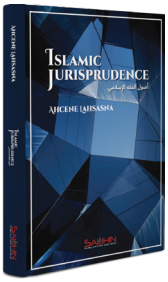


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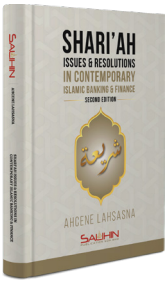


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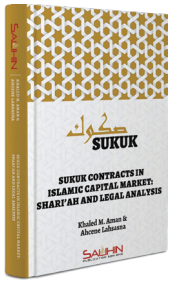


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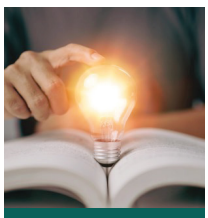

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