

Macro Note

Malaysia: Budget 2026 – Steady growth with guardrails

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- Budget 2026, the fourth installment of the Madani Budget series and the inaugural budget under the 13th Malaysia Plan (13MP, 2026-2030), was tabled in Parliament today (10 Oct). The budget demonstrates a calibrated approach by: 1) reinforcing fiscal discipline while ensuring balanced policy outcomes; 2) sustaining momentum on fiscal reforms with a measured reduction in the deficit to 3.5% of GDP (2025 est: 3.8%); and 3) adopting prudent risk and debt management amid prevailing downside risks to growth.
- Budget 2026 introduces a suite of new measures aimed at supporting the government's prudent GDP growth forecast of 4.0%-4.5% for 2026 (UOB est: 4.5%; compared to 4.0%-4.8% in 2025 vs UOB est: 4.0%). They include: (i) further cash aid totaling MYR15bn; (ii) tax exemptions to drive tourism; (iii) targeted incentives for semiconductor, advanced tech, pharmaceutical, green innovation; (iv) extension of the Home Ownership Campaign; and (v) higher business financing guarantees worth MYR30bn. Tax measures include carbon tax targeting the iron, steel and energy sectors; and alcohol/tobacco tax.
- Budget 2026 focused more on fine-tuning than major shifts, reflecting a continuation rather than acceleration of reform momentum. With key initiatives already underway, the emphasis was on maintaining progress to ensure sustainable outcomes. The budget signaled a responsible and balanced fiscal strategy, with pragmatic macro assumptions. It strikes a delicate balance between economic growth, macroeconomic stability, and fiscal discipline – which is commendable amid external uncertainties and domestic challenges. This will help lay a firm foundation for long-term resilience and sustainability.

Budget 2026 – Focusing on fiscal sustainability and steady growth

Budget 2026, the fourth installment of the Madani Budget series and the inaugural budget under the 13th Malaysia Plan (13MP, 2026-2030), was tabled in Parliament today (10 Oct). It shows the Madani government adopting a balanced approach to continue:

1. Reducing the **fiscal deficit** to MYR74.6bn or 3.5% of GDP in 2026, from an estimated MYR76.7bn or 3.8% of GDP in 2025. We estimate this to translate to total **gross government bond issuance** of around MYR185bn in 2026 (2025 MOF est: MYR170.5bn). Over the medium term, the government remains committed to achieve the deficit target of 3.0% of GDP in 2028.
2. Optimizing expenditure with strategic priorities. A mildly expansionary budget with **total expenditure** projected to reach a new high of MYR419.2bn, equivalent to 19.7% of GDP. The spending composition leans towards **operating expenditure** (OPEX), which is set to rise by 1.8% to MYR338.2bn (15.9%

of GDP), while **development expenditure** (DE) is projected at MYR81.0bn or 3.8% of GDP. DE-to-GDP ratio remains above the annual 3% fiscal objective set under the Public Finance and Fiscal Responsibility Act 2023 [Act 850], signaling continued emphasis on public investment with approximately 2,300 newly approved programmes and projects for 2026. Meanwhile, the modest rise in OPEX comes as higher allocations for emoluments, retirement charges and debt service charges (DSC) will be partly offset by lower provisions for subsidies as well as supplies and services, in line with lower global commodity prices and ongoing expenditure rationalization measures.

3. Gradually broadening the **revenue** base with a 2.7% increase to MYR343.1bn, representing 16.1% of GDP. It will be driven by improvement in both direct and indirect tax collection following various revenue measures introduced in phases beginning 2024 (including the expanded sales and service tax (SST, +MYR10bn), e-invoicing, and salary hike for civil servants. The collection from SST is expected to breach an all-time high of MYR59.6bn or 2.8% of GDP in 2026 (from an estimated MYR53.4bn or 2.6% of GDP in 2025). This alongside higher dividend contribution from KWAP (2026: MYR5bn, 2025: MYR4bn) and one-off proceeds from the transfer of ownership of Bintulu Port Authority (MYR3bn), will help to close the gap from lower oil related revenue including **Petronas dividend** (at MYR20bn in 2026 vs MYR32bn in 2025) as a result of lower global oil price forecast (at USD60-65 per barrel for 2026).
4. Efforts to strengthen accountability in **debt management** remain a priority, particularly amid prevailing downside risks to economic growth heading into 2026. As at end-June 2025, outstanding debt across key instruments—including Malaysian Government Securities, Government Investment Issues, Treasury Bills, and offshore borrowings—remained within the statutory limits prescribed under their respective legislative frameworks.

Malaysia's growth trajectory in 2026 will remain shaped by a complex global landscape and the ongoing implementation of fiscal reforms. Against this backdrop, the Madani government maintains a cautiously optimistic stance, forecasting real GDP growth of 4.0%–4.5% (mid-point: 4.1%), compared to UOB's estimate of 4.5%. For 2025, the Ministry of Finance projected growth between 4.0%–4.8% (mid-point: 4.5%), while UOB's estimate stood at 4.0%. The growth outlook continues to be anchored by resilient domestic demand, supported by:

1. **Wage-related initiatives** including Phase 2 of the civil servants' pay hike;
2. Ongoing **cash handouts**;
3. Capital expenditures particularly in **high-growth and high-impact strategic sectors** such as semiconductor, renewable energy and data centres;
4. Robust **tourism activities** in conjunction with major national and international events, including Visit Malaysia 2026 (VM2026), Malaysia Year of Medical Tourism 2026 (MYMT 2026), 2026 FIFA World Cup, BWF Thomas & Uber Cup 2026, as well as visit state year programmes in Johor, Negeri Sembilan, Perlis, and Selangor;
5. Commencement of **projects under the 13MP**, amid a steady external sector.

Benefiting from the fore-mentioned growth catalysts, services, manufacturing and construction sectors remain key growth engines in 2026. **Key infrastructure and utilities projects**—such as the LRT Mutiara Line, ASEAN Power Grid, and Hybrid Hydro Floating Solar (HHFS)—are expected to drive investment momentum. With MYR190.3bn in approved investments recorded in 1H25 (2024: MYR384.4bn) and a strong implementation rate of 85.1% for manufacturing projects approved between

2021 and Jun 2025, these developments are likely to further catalyse investment and construction activity.

Gross export is expected to rise 2.8% (2025 MOF est: 3.3%), backed by (1) the continued expansion of the electrical & electronics (E&E) sector that is driven by higher demand for semiconductor and AI edge applications, (2) competitive commodity prices, and (3) greater trading market and product diversification. The budget is providing MYR500mn of soft loans to companies affected by global tariffs. Owing to a softer export outlook relative to imports amid higher realization of approved investments and ongoing projects, the **current account** is projected to register a **narrower surplus of MYR23.2bn or 1.1% of GNI in 2026** (2025 MOF est: MYR34.3bn or 1.7%).

Reflecting steady domestic demand and contained effects from subsidy rationalization measures, the government anticipates the **inflation outlook to stay benign and range between 1.3%-2.0% in 2026** (2025 MOF est: 1.0%-2.0%). In sync with this and more moderate inflation outturns in recent months, we revise our full-year inflation forecasts down to 1.4% for 2025 (from 1.8% previously) and 2.0% for 2026 (from 2.5% previously).

Despite the implementation of the multi-tiered levy mechanism and cautious business sentiment in 2026, the **national unemployment rate is expected to remain low at 3.0%**, a level the government equates with full employment. This outlook is primarily supported by resilient domestic demand and the implementation of strategic investment initiatives.

Given the stable growth outlook, mildly expansionary budget and demand supportive measures, we think Bank Negara Malaysia (BNM) is likely to keep the **Overnight Policy Rate (OPR) unchanged at 2.75% for now**. This marks a revision from our previous expectation for one more 25bps cut in Nov. Our latest view also took into account the central bank's shift to a more neutral stance at its Sep Monetary Policy Committee meeting ([link](#)).

Key items in Budget 2026

Beyond the pre-announced wage initiatives, Budget 2026 introduces new measures to support consumption through cost-of-living relief, enhancing economic competitiveness, and strengthening the foundations for sustainable and inclusive growth.

Selected notable **fiscal measures** include:

- Continued **cash aid** totaling MYR15.0bn (MYR15.0bn in 2025)
- Tax exemption and relief for individual and companies to drive **Visit Malaysia Year 2026**
- Expanded **education**-related financial support
- Extension of the **Home Ownership Campaign**
- **Government guarantee under SJPP** will be increased to MYR30bn (from MYR20bn)
- Introduction of a **carbon tax** targeting the iron, steel and energy sectors
- **Higher excise tax for tobacco and alcohol**
- **Restricted tax exemption for vehicle purchases** in Langkawi and Labuan
- Introduction of a **New Outcome-Based Incentive Framework**, aligned with the New Industrial Master Plan (NIMP), to be implemented starting 1Q26 for the manufacturing sector, followed by the services sector in 2Q26
- Under the **National Semiconductor Strategy (NSS)**, MYR500mn in loans to support high value-added activities such as R&D for local companies

- Khazanah and KWAP to invest MYR550m in **semiconductor ecosystem**
- **Industrial development programs** in high-impact sectors such as pharmaceuticals, semiconductors, artificial intelligence (AI), digital, and sustainability
- Higher salary threshold for **employment contracts exempted from stamp duty** from MYR300 to MYR3,000 per month, effective 1 Jan 2026
- Soft loans to companies affected by **global trade tariff tensions** worth MYR500mn
- **ASEAN Business Entity (ABE)** Status for public-listed companies and mid-sized companies expanding into ASEAN

Sustaining reform momentum with targeted support

Budget 2026 is viewed as a responsible and well-calibrated fiscal plan, with macro projections generally more conservative than market expectations. It strikes a careful balance between economic growth, macroeconomic stability, and fiscal discipline—commendable amid persistent external risks (i.e. trade tensions, tariff uncertainties, geo-economic fragmentation, and climate-related challenges) and domestic structural issues including an ageing population, slow digital adoption, high foreign labour dependence, rising pension obligations, and subdued income growth. Malaysia is projected to shift from an ageing to aged nation by 2048, with 14% of the population aged 65 and above.

With key reforms already underway, Budget 2026 focuses on consolidating progress to support long-term resilience and sustainability, bridging short-term needs with long-term priorities. By holding off on further revenue enhancing measures, the government provides breathing space for businesses while maintaining flexibility to protect vulnerable groups through targeted subsidies and assistance. This approach reflects a commitment to inclusive development, balancing fiscal discipline with steady, equitable outcomes.

Beyond the immediate fiscal measures, the medium-term outlook will largely depend on the government's political resolve and execution capacity to effectively implement the initiatives outlined in the various national masterplans. Equally critical is the ability to respond and adapt swiftly to dynamic global market developments, which is essential for enhancing national competitiveness and improving living standards. A sustained and credible commitment to these reforms will be vital to securing inclusive growth and ensuring long-term economic resilience and prosperity – ultimately supporting the nation's aspiration to achieve high-income status by 2030.

Key macro forecasts for 2025-2026

Source: MOF, Bloomberg, BNM, UOB Global Economics & Markets Research

Indicator	Actual	Ministry of Finance		UOB	
	2024	2025F (Revised)	2026F	2025F	2026F
Real GDP growth (%)	5.1	4.0 - 4.8	4.0 - 4.5	4.0	4.5
Headline inflation (%)	1.8	1.0 - 2.0	1.3 - 2.0	1.4	2.0
Unemployment rate (% average)	3.2	3.0	3.0	3.0	3.0
Fiscal balance (% of GDP)	(4.1)	(3.8)	(3.5)	(3.8)	(3.5)
Current account balance (MYR bn)	27.7	34.3	23.2	35.0	38.0
Current account balance (% of GNI)	1.5	1.7	1.1	1.7	1.8
Global oil price (USD/bbl, average)	79.9	-	60 - 65	68.5	62.5
CPO price (MYR/MT, average)	4,230	4,000 - 4,300	3,900 - 4,100	-	-
USD/MYR (end-period)	4.47	-	-	4.20	4.10

Impact of US tariffs on Malaysia's GDP and external trade

Source: MOF, UOB Global Economics & Markets Research



Real GDP growth forecasts by sector

*Total may not add up to 100% due to rounding and exclusion of import duties components.

Source: MOF, BNM, UOB Global Economics & Markets Research

Component	Ministry of Finance					UOB	
	Share (%)*	Growth (%)				2025F	2026F
		2025	2023	2024	2025F (Revised)		
Agriculture	6.1	0.2	3.1	1.2	2.2	1.0	1.0
Mining	5.8	0.5	0.9	1.1	(1.0)	(3.0)	(1.0)
Manufacturing	23.0	0.7	4.2	3.8	3.0	3.5	4.5
Construction	4.2	6.0	17.5	10.1	6.1	10.5	7.5
Services	59.7	5.1	5.3	5.1	5.2	4.8	5.2
Real GDP	100.0	3.5	5.1	4.0 - 4.8	4.0 - 4.5	4.0	4.5

Real GDP growth forecasts by aggregate demand

*Total may not add up to 100% due to rounding and excluding change in stocks components.

Source: BNM, UOB Global Economics & Markets Research

Component	Ministry of Finance					UOB	
	Share (%)*	Growth (%)				2025F	2026F
		2025	2023	2024	2025F (Revised)		
Domestic Demand	96.7	4.6	6.5	6.1	5.4	6.0	5.6
Private expenditure	78.3	4.6	6.6	6.1	5.7	6.0	5.8
Consumption	60.9	4.6	5.1	5.0	5.1	5.0	5.5
Investment	17.4	4.5	12.3	10.0	7.8	9.6	7.0
Public Expenditure	18.3	4.7	6.3	6.3	4.4	5.8	4.8
Consumption	13.1	3.4	4.7	4.0	3.2	4.3	4.0
Investment	5.2	8.5	11.1	12.7	7.3	10.0	7.0
External Sector	3.4	(22.2)	9.2	(15.0)	(32.0)	(4.6)	(4.7)
Exports	66.4	(7.9)	8.3	1.9	3.8	3.0	3.5
Imports	63.0	(6.8)	8.2	3.1	5.8	3.5	4.0
Real GDP	100.0	3.5	5.1	4.0 - 4.8	4.0 - 4.5	4.0	4.5

Federal government financial position at a glance

DSC = Debt Service Charges

Source: MOF, UOB Global Economics & Markets Research

Component	Unit	2024	2025F		2026F
			Original Budget	Revised Budget	
Revenue	MYR bn	324.6	339.7	334.1	343.1
	% change	3.1	4.6	2.9	2.7
Operating expenditure	MYR bn	321.5	335.0	332.2	338.2
	% change	3.3	4.2	3.3	1.8
Current balance	MYR bn	3.1	4.7	2.0	4.9
Gross development expenditure	MYR bn	84.0	86.0	80.0	81.0
	% change	(12.6)	2.4	(4.8)	1.3
Net development expenditure	MYR bn	82.3	84.7	78.7	79.5
	% change	(13.5)	2.9	(4.4)	1.0
Overall balance	MYR bn	(79.2)	(80.0)	(76.7)	(74.6)
	% of GDP	(4.1)	(3.8)	(3.8)	(3.5)
Primary balance (excl. DSC)	MYR bn	(28.7)	(25.3)	(22.4)	(16.3)
	% of GDP	(1.5)	(1.2)	(1.1)	(0.8)
Total expenditure	MYR bn	405.5	421.0	412.2	419.2
	% change	(0.5)	3.8	1.6	1.7
	% of GDP	21.0	20.2	20.4	19.7

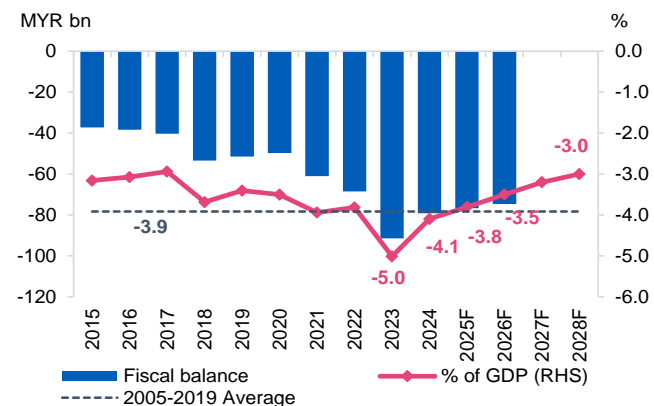
Medium-term fiscal framework 2026-2028

Source: MOF, UOB Global Economics & Markets Research

	2025-2027		2026-2028	
	MYR bn	% of GDP	MYR bn	% of GDP
Revenue	1,055.0	15.7	1,072.2	15.7
Non Petroleum	901.3	13.4	943.1	13.8
Petroleum-related	153.7	2.3	129.1	1.9
Operating Expenditure	1,043.3	15.6	1,045.9	15.4
Current Balance	11.7	0.1	26.3	0.4
Gross development expenditure	246.0	3.7	247.0	3.6
Less: Loan Recovery	3.7	0.1	3.9	0.1
Net development expenditure	242.3	3.6	243.1	3.6
COVID-19 Fund	-	-	-	-
Overall Balance	(230.6)	(3.5)	(216.8)	(3.2)
Primary Balance	(53.7)	(0.8)	(31.7)	(0.5)
Underlying assumptions:				
Real GDP growth (%)	4.9		4.9	
Nominal GDP growth (%)	7.2		6.3	
Crude Oil Price (USD/bbl)	80		70	
Oil Production (bpd)	500,000		450,000 - 500,000	

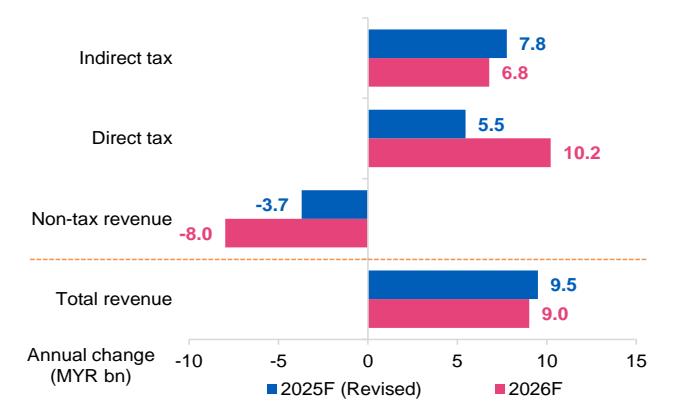
A narrower fiscal deficit target of 3.5% of GDP for 2026

Source: MOF, UOB Global Economics & Markets Research



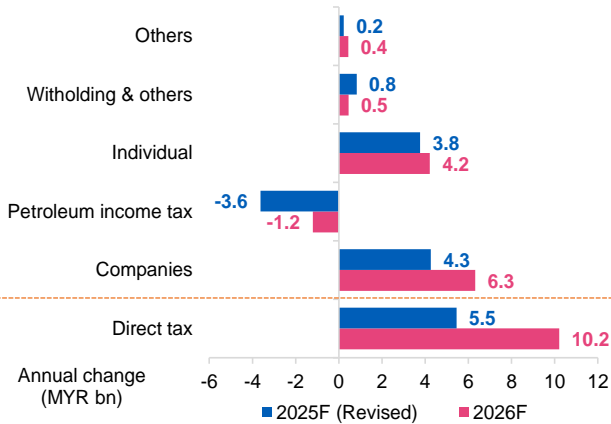
Higher revenue target largely relies on direct tax collections

Source: MOF, UOB Global Economics & Markets Research



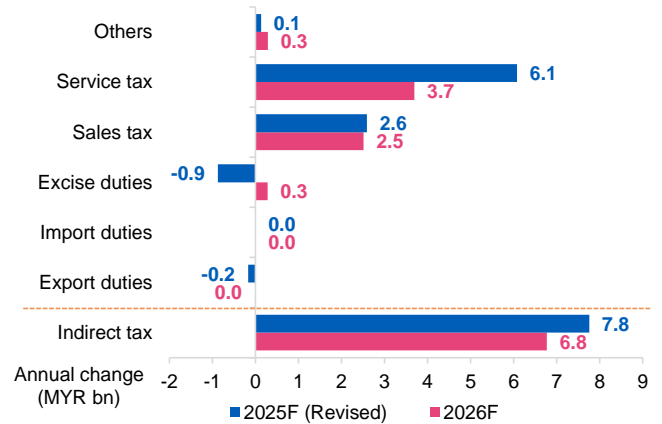
Corporate income tax, top contributor to direct tax collection

Source: MOF, UOB Global Economics & Markets Research



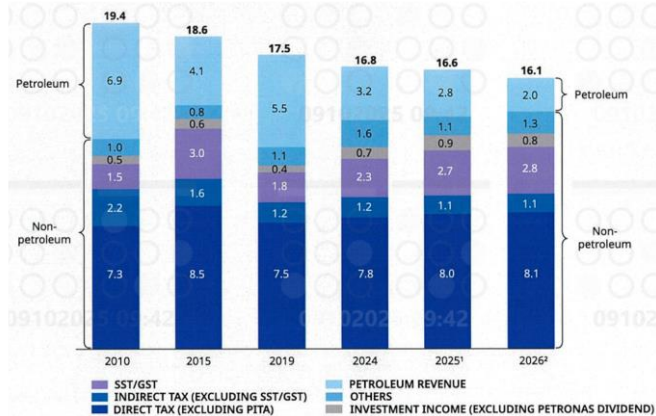
Service and sales tax to lift overall indirect tax collection

Source: MOF, UOB Global Economics & Markets Research



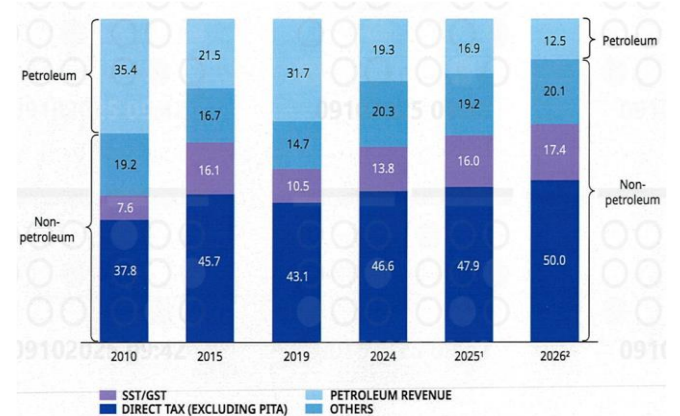
Revenue-to-GDP ratio will drop further to 16.1% in 2026

1 Revised estimate
2 Budget estimate, excluding 2026 Budget measures
Source: MOF, UOB Global Economics & Markets Research



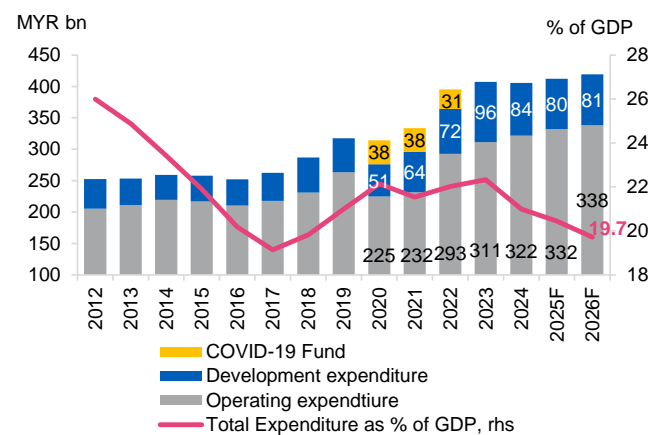
Oil revenue to make up just 12.5% of total revenue in 2026

1 Revised estimate
2 Budget estimate, excluding 2026 Budget measures
Source: MOF, UOB Global Economics & Markets Research



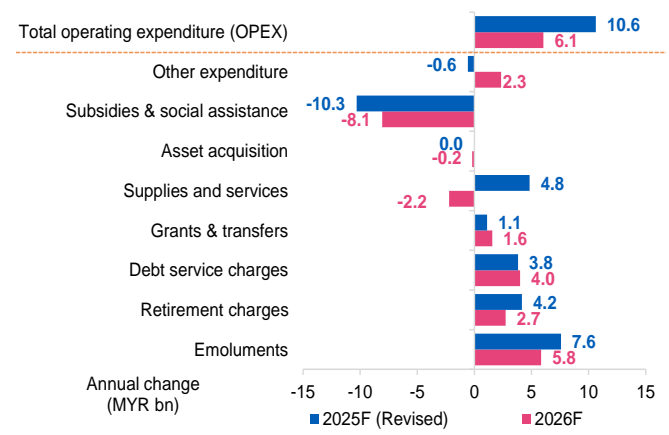
Total expenditure hit new record high at MYR419.2bn in 2026

Source: MOF, UOB Global Economics & Markets Research



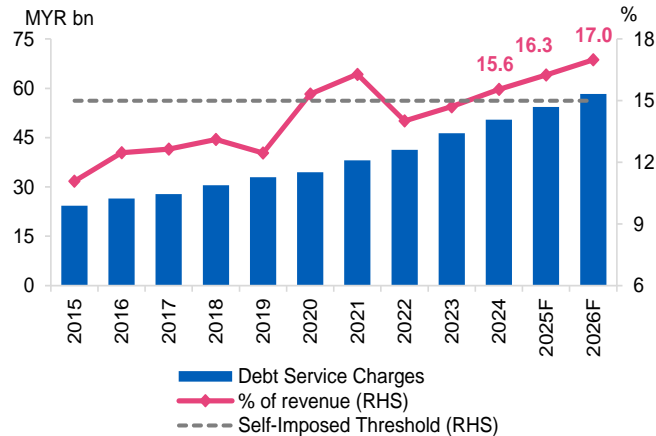
OPEX to be lifted largely by higher emoluments and DSR

Source: MOF, UOB Global Economics & Markets Research



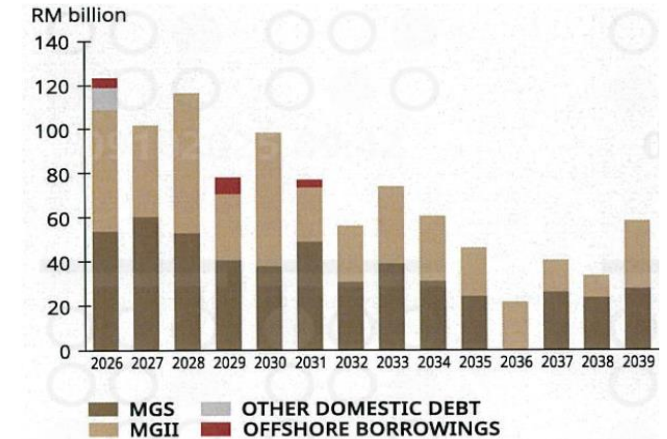
DSC-to-revenue ratio reaches a 33-year high in 2026

Source: MOF, UOB Global Economics & Markets Research



Government debt maturity profile (as at end-Jun 2025)

Source: MOF, UOB Global Economics & Markets Research



Summary of key budget measures I

Source: MOF, UOB Global Economics & Markets Research

Fiscal Governance, Service Delivery, Fiscal Discipline & Tax Administration

- Royal Malaysian Customs Department (JKDM) will introduce **digital tax stamps** and establish a **Centralised Screening Complex** with CCTV monitoring.
- The implementation of **e-Invois** will be fully enforced beginning in 2026, together with a **self-assessment system for stamp duties**. Refunds for overpaid taxes will also be expedited.
- **Tax exemption for vehicles in Langkawi and Labuan** will be limited to vehicles valued \leq MYR300,000, effective 1 Jan 2026.
- **Anti-corruption programmes** organised by civil society organisations recognised by MACC be granted **tax-deductible status**.
- **Donors** who contribute cash to such approved anti-corruption initiatives will also **qualify for income tax deductions**.
- **MyDigital ID initiative** will be expanded to key sectors such as finance, telecommunications, e-commerce, and healthcare.
- **MADANI Kiosks** will be rolled out gradually in every state.
- The **24th Urban Transformation Centre (UTC) in Seberang Perai** will be launched in Nov 2026.
- The **Consumer Protection Act** will be amended to introduce **Lemon Law provisions**, to protect consumer rights against defective products and unfair practices.

Strategic Sector Investments & Strengthening Support In High-Value Sectors

- Introduce the **ASEAN Business Entity (ABE) status** under the Securities Commission (SC).
- MIDA will proactively offer **Investor Passes** to multinationals (MNCs) and target E&E sector investors.
- Full implementation of **outcome-based tax incentives** aligned with the New Industrial Master Plan (NIMP) for manufacturing sector in 1Q26, followed by services sector in 2Q26.
- MYR200mn **Strategic Co-Investment Fund** will provide matching capital for SMEs and mid-tier companies to strengthen supply chains in priority sectors via Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) Financing platforms.
- MYR180mn **NIMP Industrial Development Fund** will finance industry-development programmes in high-impact sectors such as pharmaceuticals, semiconductors, AI, digital, and sustainability.
- Khazanah and KWAP will jointly invest MYR550mn into **semiconductor ecosystem** to foster partnerships between local firms and MNCs.
- Under the National Semiconductor Strategy (NSS), **BPMB will offer MYR500mn in loans** to support high-value-added activities like R&D, especially for Malaysian firms serving the E&E ecosystem.
- To launch **SemiconStart**, an incubator programme by MTDC in collaboration with global incubators, to provide mentorship, access to global financing, discounted prototyping, and customer networks.
- Through the **GEAR-UP initiative**, GLICs will raise domestic investments to MYR30bn in 2026 from MYR25bn in 2025.
- **KWAP** creates a MYR1.2bn **Accelerator Fund** to co-invest with private fund managers (co-GP model) in energy transition, food security, and the digital economy sectors.
- **Khazanah's Mid-Tier Company Programme** provides MYR250mn to strengthen mid-tier firms' capacity and competitiveness.
- Combined investment under **KWAP's Pioneer Fund** and **Khazanah's Jelawang Capital** will rise to MYR750mn from MYR550mn.
- Cradle Fund, with MYR55mn, will launch an **Equity Investment Programme** and **GLC Innovation Workshops**.
- Government plans to enhance **venture-capital tax incentives** for 10 years through special tax rates and dividend-tax exemptions.
- MYR30mn to **expand MyCIF across ASEAN** and to high-impact sectors like food, agritech, agetech, and the care economy.
- **Rare-earth resource mapping** will continue with a MYR10mn allocation.

Summary of key budget measures II

Source: MOF, UOB Global Economics & Markets Research

Local Talent Development, Education, Human Capital Development, Employment & Wage Empowerment

- The National TVET Council will propose to enact a **TVET Act (RUU TVET)**.
- **TVET funding** will increase to MYR7.9bn from MYR7.5bn.
- MYR45mn for the **National TVET Council**, including integration of digital-technology and AI training for 10,000 tahfiz and religious-school students under the IPT@Community Programme.
- MYR1.3bn to **MOE TVET institutions**, training 79,000 students.
- **HRD Corp**, with MYR3bn, will provide 3mn training opportunities—focused on high-tech, digital, and energy-transition sectors.
- **PTPK** allocates MYR650mn **financing** for over 25,000 trainees, focusing on AI, EV, and semiconductors under NIMP.
- Department of Skills Development, via the **Academy in Industry Programme**, will train locals to reduce dependency on low-skilled foreign labour, with MYR34mn.
- **Supplemental Food Program** for school children (RMT) continues with MYR870mn.
- All 5.2mn government school students will receive MYR150 in **Early School Assistance**, with an allocation of MYR800mn.
- Private sector is given **double tax deduction incentives for scholarship expenses** for eligible students.
- PNB will also offer an additional 5bn units for **ASB 3 Didik and ASM**.
- The government provides **free PTPN education** for 5,800 children from poor families studying at public universities, with an allocation of MYR120mn per year.
- **Exempt PTPN repayment** for all students who obtain a First-Class Honours Bachelor's Degree at public universities from low- and middle-income families.
- Additional 50% **tax deduction to SMEs for training expenses** related to AI and cybersecurity recognized by the MyMahir National AI Council for Industry (NAICI).
- A Sovereign AI Cloud will be built by SKMM with an investment of MYR2bn.
- MYR53mn from **Malaysia Digital Acceleration Grant** is provided to accelerate the growth and adoption of technologies such as blockchain, AI, and quantum computing. Meanwhile, MIMOS will develop blockchain technology and deepfake detection.
- Double deduction for **OKU training** extended to accredited care-worker training.
- Salary threshold for **employment contracts** exempted from stamp duty raised from MYR300 to MYR3,000 per month starting 1 Jan 2026.

Leadership In Islamic Economy, SME Development and Entrepreneurship

- A **Global Sukuk Tokenisation Initiative** will be launched to digitise sukuk transparently, tradable retail-wise via Labuan's digital exchanges.
- A **Climate Sukuk** will finance green projects, distributing dividends as carbon-credit returns.
- The **ITEKAD programme**, with MYR35mn matching grants, will be expanded to help beneficiaries upskill and access stable employment opportunities.
- Government also revitalises the meaning of **wakaf (endowment)** for social good.
- An **innovative tokenised cash-wakaf sukuk** will be introduced to fund critical needs such as special-education centres, autism facilities, and palliative-care institutions.
- SME Bank offers MYR100mn dedicated **halal-financing facilities** for MSMEs.
- SJPP doubles **government guarantees for halal-business loans** to MYR2bn from MYR1bn.
- Government will develop the **Perak Halal Industrial Park in Manjung** at a cost of MYR124mn.
- **Total loan and guarantee facilities** provided by the government for the benefit of local entrepreneurs increased to MYR50bn from MYR40bn.

Housing Affordability & Urban Livability

- 80,000 **first-time home buyers are offered SJKP guarantees**, increasing up to MYR20bn from MYR10bn, which can help more gig workers and self-employed workers.
- **Stamp duty exemptions** continue for first-time buyers purchasing homes priced below MYR500,000 until 31 Dec 2027.
- For **government contract staff** who find it difficult to obtain their **first home loan**, SJKP will guarantee loans up to 120% with a total value of MYR1bn.
- The **Young Housing Financing Scheme** under LPPSA will be extended until 31 Dec 2026.
- The **maximum LPPSA financing eligibility** will be increased up to MYR1mn in line with salary adjustments and the rise in property market prices.
- For civil servants, **second-time financing** is made easier without the need to settle the first financing, subject to the remaining financing eligibility limit. This will be introduced as early as 4Q26.
- A flat 8% stamp duty (from 4%) on transfers of **residential property by non-citizens/foreign companies** (PRs excluded).
- **Commercial-to-residential conversions**: special tax deduction at 10% of qualifying costs (capped at MYR10mn).

Summary of key budget measures III

Source: MOF, UOB Global Economics & Markets Research

Social Welfare, Inclusion, Women & Family Empowerment

- MYR15.0bn is allocated for **Sumbangan Tunai Rahmah (STR)** and **SARA MADANI**.
- **One-off MYR100 SARA** to 22mn Malaysians aged 18 and above, to be distributed in mid-Feb 2026.
- Gig workers, e-hailing and p-hailing drivers, will be given matching contribution incentives of up to MYR600 per year or MYR6,000 for a lifetime under the **i-Saraan Plus scheme**.
- **Childcare relief** of MYR3,000 to be extended to registered day-care/transit centres for children up to 12 years (from YA 2026).
- Up to MYR3,000 **life/takaful tax relief** extended to cover children.
- Full stamp duty exemption on **insurance policies or takaful certificates** of small value purchased by individuals and SMEs extended for three years until 2028.
- **Perlindungan Tenang stamp duty exemption** extended to 2028.
- A **Special Financial Assistance** of MYR500 to all public servants of grade 15 and below, including contract appointments. MYR250 Special Financial Assistance for all government retirees, including pensioned veterans and non-pensioned veterans. Paid in Mar 2026.

Tourism & Healthcare Sectors

- **Renovation tax deduction** up to MYR500,000 for eligible tourism projects.
- 100% income tax exemption on increased income for **tour operators' Malaysia packages**.
- 100% income tax exemption on statutory income for **international MICE organisers**.
- 50% income tax exemption for **international arts/culture/sports/recreation event organisers**.
- Special personal income tax relief of up to MYR1,000 for **local attraction entry/cultural programs** (VMY 2026).
- 100% excise duty and 100% sales tax exemptions continue for new Proton/Perodua purchases by **taxi and private hire-car owners**.
- **Tobacco excise duty** from 1 Nov 2025: +2 sen/stick (cigarettes); +MYR40/kg (cigars/cheroots/cigarillos); +MYR20/kg (heated tobacco content).
- **Alcohol excise duty**: +10% (from 1 Nov 2025).
- **Nicotine replacement therapy**: import duty & sales tax exemptions extended to 31 Dec 2027 (now includes mist/lozenges).
- Personal income tax relief extended to all KKM-approved **vaccines**.
- Relief for **diagnosis/early intervention/rehab for children** ≤18 increased to MYR10,000.

Green, Plantation & Commodity Sectors

- The **Green Technology Financing Scheme**, GTFS 5.0 is open until 31 Dec 2026, with a total financing value of MYR1bn.
- 100% **Green Asset Investment Tax Allowance** for own use when adopting MyHIJAU-certified Malaysian green tech products.
- Individual income tax relief of MYR2,500 expanded to include the purchase of **food waste shredding machines**.
- Company is undertaking a **new food production project** is granted a tax exemption of 100% on statutory income for 10 years. Existing companies that undertake **expansion projects** are granted a 100% tax exemption on statutory income for 5 years. The application period for tax incentives is extended until 31 Dec 2030.
- **Agriculture automation tax incentive** to be extended to selected closed-house livestock systems.
- **Carbon tax** to start in 2026 with initial focus on iron, steel and energy, aligned with National Carbon Market Policy and forthcoming Climate Change Bill.

Others (Including Trade, Madani Initiatives, etc)

- MYR1bn is allocated to expand "**Ikhtiar MADANI Untuk Rakyat**".
- **EPF withdrawal limit for Hajj** raised to MYR10,000 from MYR3,000.
- For public servants, the early **GCR withdrawal facility for performing the Hajj** is expanded to a redemption of MYR10,000 with an allocation of MYR10mn.
- SJPP to guarantee up to 70% **financing for mid-sized export-oriented companies**, including those expanding into new markets, with a guarantee value of up to MYR5bn.

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