Wong & Partners.
Member Firm of
Baker & McKenzie International

For further details please contact:

Stephanie Jacob
Assistant Manager, Communications
Phone +603 22996408/ 0123725917
stephanie.jacob@wongpartners.com

Malaysia's Budget 2026

Reactionary Statement by Yvonne Beh, Partner in the Tax, Trade and Wealth Management Practice of Wong & Partners, a member firm of Baker McKenzie International

Kuala Lumpur, 10 October 2025 –

- In the Budget 2026, the Malaysian government aims to continue reducing the fiscal deficit, aiming for 3.5% in 2026. It is projected that revenue collection will increase as there are efforts to improve governance, prevent leakages and corruption.

- Although the aim is to increase revenue collection, it is notable that there are no introduction of any new taxes, other than carbon tax, which was also previously announced in Budget 2025. The carbon tax will be targeted at the iron/steel and energy sectors. At this stage, no details are available in relation to the rate and the implementation mechanism.

- In the last few Budgets, there had already been numerous new taxes introduced over the years, including capital gains tax, dividend tax, changes in taxation of foreign-sourced income, expansion in taxable services for service tax and increased sales tax for imported, luxury goods. All such new taxes and expansion in the tax base will continue to contribute to the revenue growth. Additionally, with the tightening of compliance and increase in transparency with the introduction of e-invoicing, these measures can help minimize tax leakages and increase tax revenues.

- The Budget 2026 highlights Malaysia's focus on the semiconductor, energy transition, and digital industries. It was announced that outcome-based incentives which focus on high-growth activities, will be offered, in line with the New Industrial Master Plan. However, at this stage, details of these incentives are not available yet.

- The government continues to focus on green technology, with a RM 3 billion allocation for the Green Technology Financing Scheme ("**GTFS**") to encourage private investments in solar, hydrogen and bioenergy. There are also plans to introduce carbon-pricing mechanisms gradually starting with the Voluntary Carbon Market Phase 2 which is to be launched in 2026 and supervised by the Malaysian Stock Exchange.

- The Malaysian government's focus on Islamic financing is in line with Malaysia's aspirations to be a leader in the Islamic economy. Under the Budget 2026, a global *sukuk* tokenisation initiative will be launched to digitise *sukuk* transparently, which is tradeable through Labuan's digital

Wong & Partners.
Member Firm of
Baker & McKenzie International

For further details please contact:

Stephanie Jacob
Assistant Manager, Communications
Phone +603 22996408/ 0123725917
stephanie.jacob@wongpartners.com

exchanges. This is consistent with promoting Labuan International Business and Financial Centre's aims to become a Digital Islamic Finance Hub.

- A key focus of Budget 2026 is to enhance tax administration and increase the revenue base. As part of the drive to reduce tax leakages, there are plans by Customs Malaysia to introduce digital tax stamps with enhanced security features, to prevent counterfeiting. The Budget 2026 reaffirms plans to roll out e-invoicing and the self-assessment system for stamp duty in 2026, and these measures aim to encourage higher levels of tax compliance.

- It is expected that tax audits and enforcement will continue to increase. This is in line with the announcement that the Inland Revenue Board will establish a digital audit hub which is aimed at monitoring real-time business activities. With e-invoicing and monitoring of real-time business activities, there will be increase in transparency of transactions, resulting in greater tax scrutiny over commercial transactions and which may ultimately reduce tax leakages.

- Although there were plans to introduce a luxury goods tax or high-value goods tax in Budget 2023, the tax was not ultimately implemented. In Budget 2026, there are plans to introduce a luxury goods tax at the rate of 5% - 10% on selected items, with effect from January 2026. Currently, no details are available as to what items will be subject to the luxury goods tax.

- Ends -

About Wong & Partners

Wong & Partners is a Malaysian law firm dedicated to providing solution-oriented legal services to its clients. As a member firm of Baker McKenzie International, we bring a unique combination of local knowledge and global experience to every matter. Since its establishment in 1998, Wong & Partners has grown steadily and now consists of more than 20 partners and 50 associates and legal assistants. The Firm’s lawyers are able to deliver comprehensive and integrated advice to clients, and are trusted by respected domestic and multinational corporations for their needs in Malaysia and throughout Asia. The Firm’s lawyers are committed to helping clients apply industry-specific, innovative and practical solutions. (www.wongpartners.com)

Follow us on