



Socio-Economic
Research Centre
社会经济研究中心

ACCCIM Interaction Session with Associate Members 2.0

Analysis of the Budget 2026

“THE FOURTH MADANI BUDGET: THE RAKYAT’S BUDGET”

14 October 2025

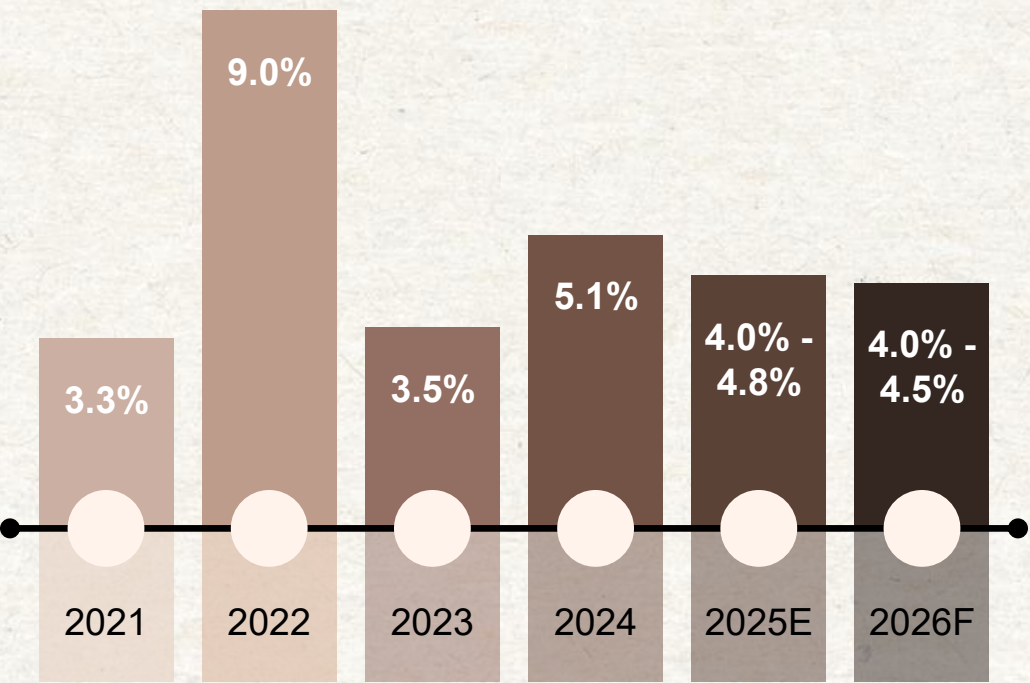




◆ **Part 1**
2026 Budget Snapshots
Fiscal Outlook & Economic Prospects

Economic Growth

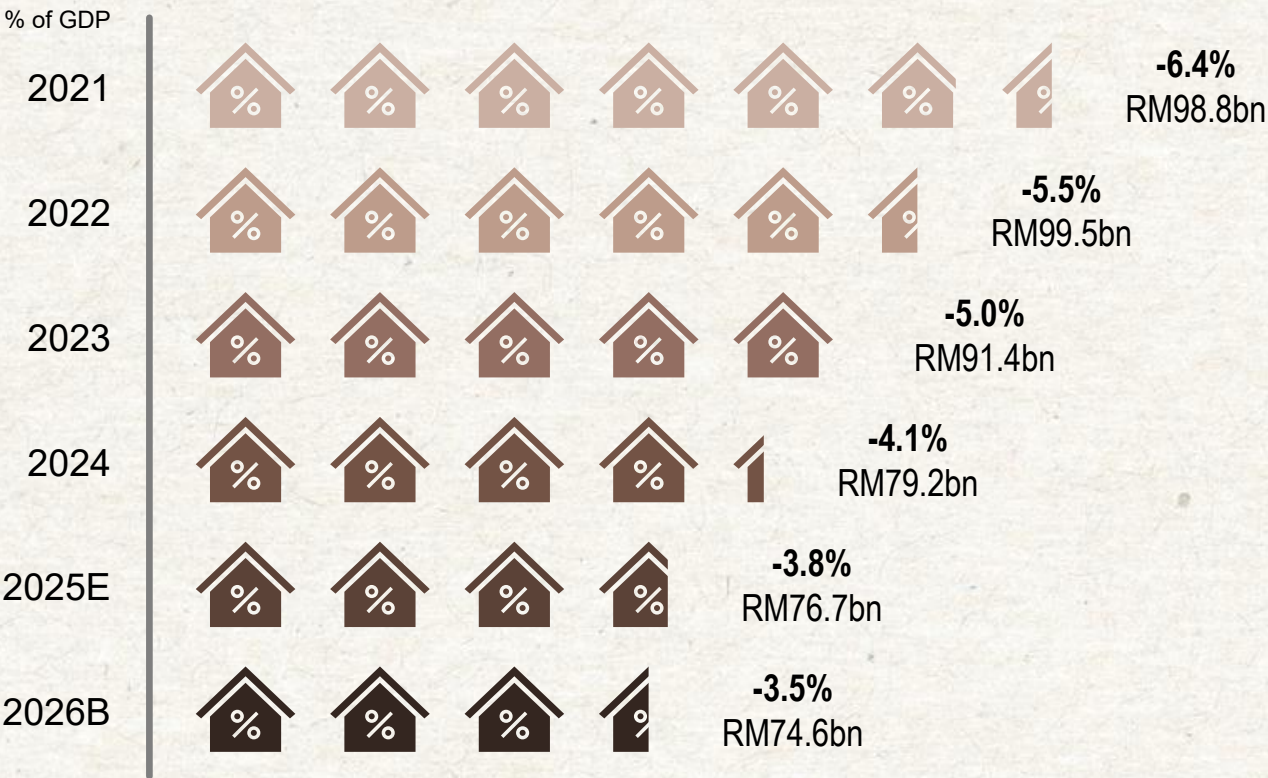
Slower economic growth **4.0%-4.5%**
(point estimate at 4.1%) in 2026



Source: MOF E=Estimate; F=Forecast; B=Budget Estimate

Fiscal Deficit

Gradual fiscal consolidation is on track
Persistent fiscal deficits for the **29th** consecutive year in 2026
amid reducing deficit ratio for the **5th** consecutive year since 2022



The 2026 Budget – A Responsive and Growth-oriented budget

- 1

The Government Procurement Bill 2025
A legal framework for ensuring the transparency of government procurement.
- 2

Public Finance and Fiscal Responsibility Act 2023 (Act 850)
Enforces fiscal responsibility and accountability.
- 3

The amended Audit Act
Expand the Auditor General's power to audit various entities that receive public funds, ensuring comprehensive oversight.



Fiscal, Governance and Public Delivery Services Reform

- 1

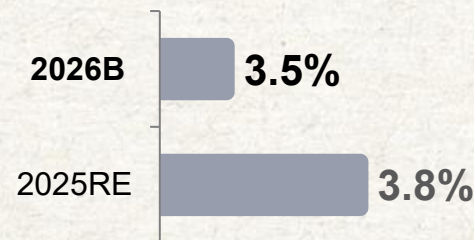
RM15.5 billion leakages and tax evasion have already been plugged and recovered within two years.
- 2

RM1.1 billion savings generated from the governance reforms, including streamlining over 1,000 projects.
- 3

RM15.5 billion savings annually from subsidies rationalisation and price reforms

Fiscal Deficit

% of GDP



Revenue

2026B: **RM343 billion**



2025RE: **RM334 billion**

Operating Expenditure

2026B: **RM338 billion**



2025RE: **RM332 billion**

Development Expenditure

2026B: **RM81 billion**

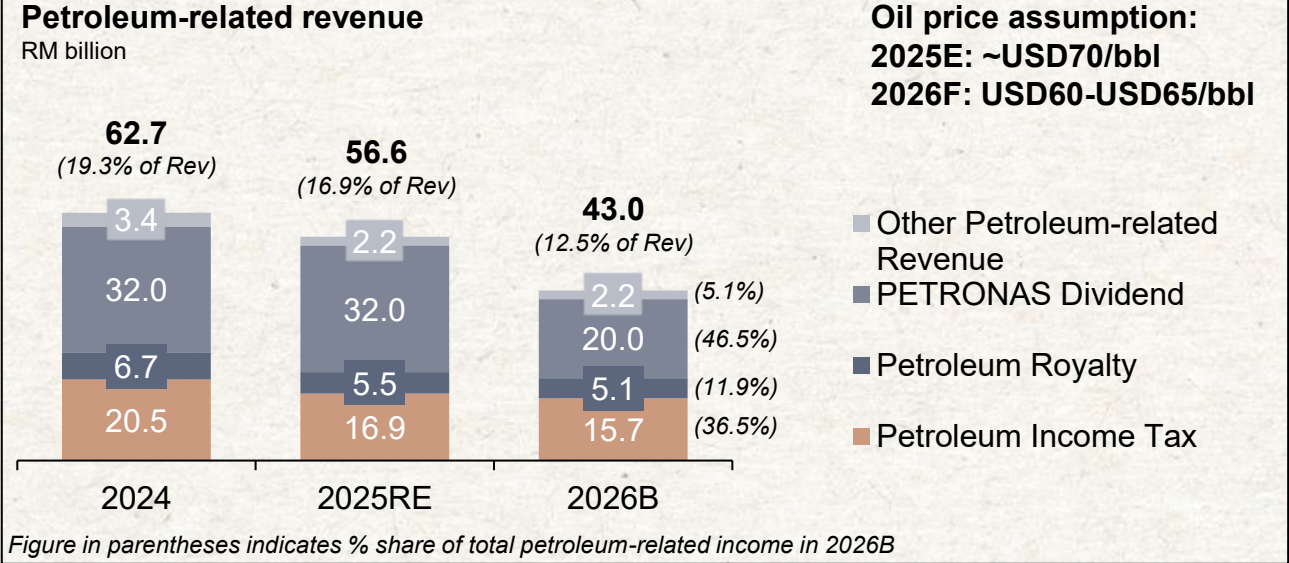
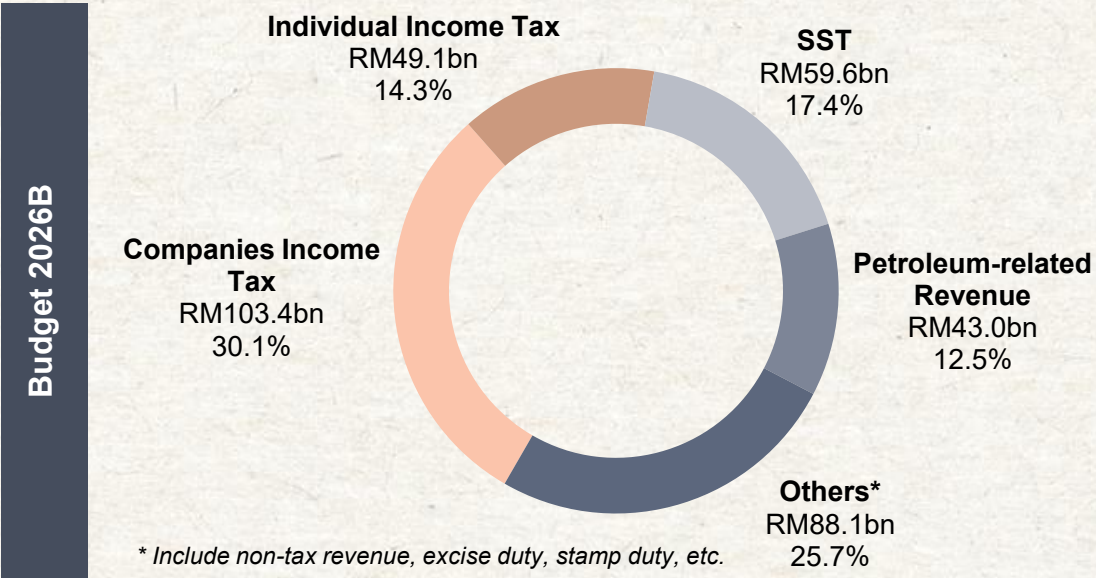


2025RE: **RM80 billion**

Off-Balance Sheet Spending

- GLIC investment: RM30 billion
- Public-Private Partnership (PPP): RM10 billion
- Federal Statutory Bodies & MOF Inc.: RM10.8 billion

Federal Government's Revenue: Where does the money come from?



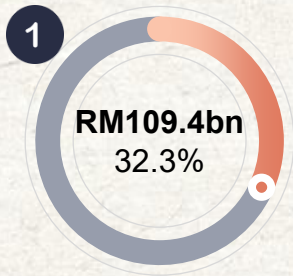
Major components	2025RE (RM billion)	Share (%)	2026B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Direct taxes	177.1	53.0	187.4	54.6	+10.2	+5.8
Companies income taxes	97.0	29.0	103.4	30.1	+6.3	+6.5
Individuals income taxes	44.9	13.4	49.1	14.3	+4.2	+9.4
Indirect taxes	76.3	22.8	83.0	24.2	+6.8	+8.9
Sales Tax and Service Tax (SST)	53.4	16.0	59.6	17.4	+6.2	+11.6
Non-tax revenue; non-revenue receipts; etc.	80.7	24.2	72.7	21.2	-8.0	-9.9
Federal Government (FG) Revenue	334.1		343.1		+9.0	+2.7

Source: MOF RE=Revised Estimate; B=Budget Estimate

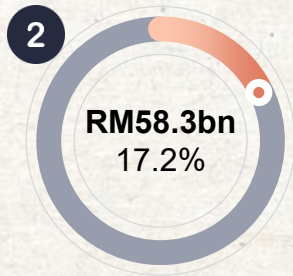
Operating Expenditure (OE): Where does the money go?

Budget 2026

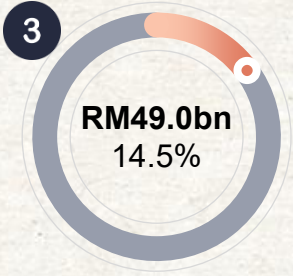
Emoluments



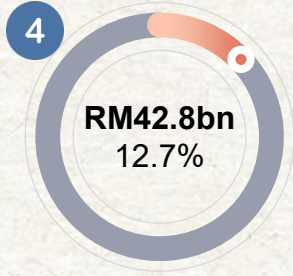
Debt Service Charges



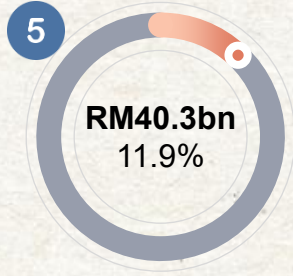
Subsidies and Social Assistance



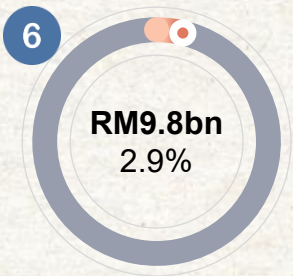
Retirement Charges



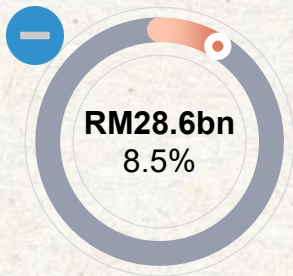
Supplies and Services



Grants and Transfers^



Others*



Note: % indicates share of Operating Expenditure of Budget 2026
^ To state governments
* Includes asset acquisition, refunds and write-offs, grants to statutory bodies, etc.

Major components	2025RE (RM billion)	Share (%)	2026B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Emoluments	103.5	31.2	109.4	32.3	+5.8	+5.6
Retirement charges	40.1	12.1	42.8	12.7	+2.7	+6.8
Debt service charges	54.3	16.3	58.3	17.2	+4.0	+7.4
Supplies and services	42.5	12.8	40.3	11.9	-2.2	-5.2
Subsidies and social assistance	57.1	17.2	49.0	14.5	-8.1	-14.1
Grants and transfers^	9.3	2.8	9.8	2.9	+0.6	+6.1
By sector	2025RE (RM billion)	Share (%)	2026B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	22.0	6.6	22.1	6.5	+0.1	+0.3
Social	121.1	36.4	127.3	37.6	+6.3	+5.2
Security	30.3	9.1	32.7	9.7	+2.4	+8.0
General administration	17.3	5.2	16.8	5.0	-0.4	-2.6
Others**	141.5	42.6	139.3	41.2	-2.3	-1.6
Operating Expenditure	332.2		338.2		+6.1	+1.8

Source: MOF RE=Revised Estimate; B=Budget Estimate

** Includes debt service charges, retirement charges, and transfer payments.

RM15.5 billion subsidies saving in 2025



Jan 2023
ICPT Surcharge

Saved
RM6 billion

85%
consumers are
unaffected by
higher tariffs



Nov 2023
Chicken Subsidy

Saved
RM1 billion

Price & supply
remain stable
following subsidy
withdrawal



Feb 2024
Water Tariff

Average bill
Increase by RM3

Increased water
tariff across all
states in
Peninsular
Malaysia



Jun 2024
Diesel Subsidy

Saved
RM5 billion

80%
diesel consumers
continue to receive
cash aid



Jul 2025
SST Expansion

Increase
RM5 billion in
2025 and RM10
billion per year

More items and
five services
categories



Aug 2025
Egg Subsidy

Saved
RM1 billion

Price & supply
remain stable
following subsidy
withdrawal



Sep 2025
RON95 Subsidy

Saved
RM2.5 billion

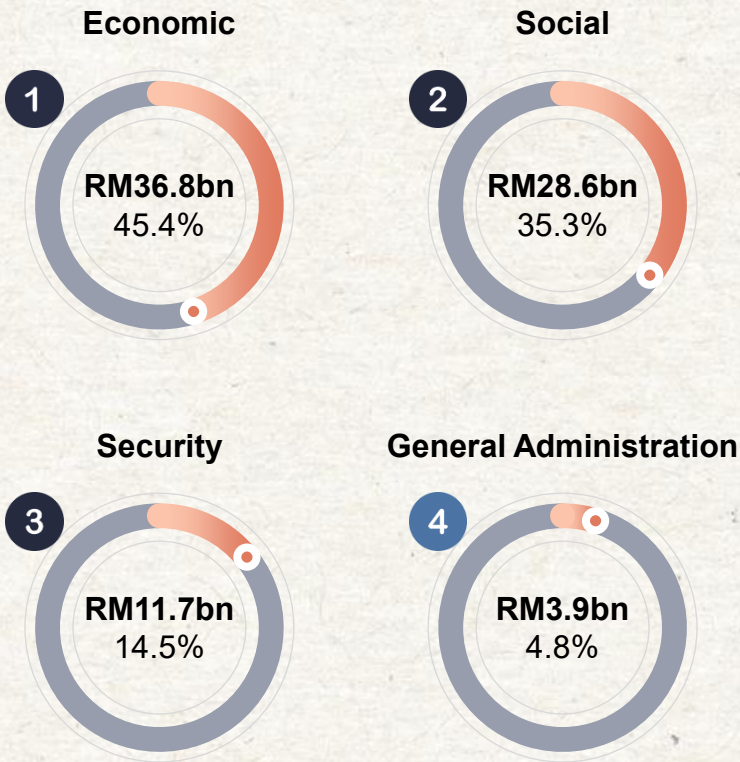
16.5 million
eligible citizens

Started in May 2025 and full
removal in Aug 2025.

Development Expenditure (DE): Where does the money go?

Development Expenditure

Budget 2026



By sector and major sub-sector	2025RE (RM billion)	Share (%)	2026B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	36.6	45.8	36.8	45.4	+0.1	+0.4
Transport	16.4	20.5	17.5	21.6	+1.2	+7.1
Environment	3.0	3.8	3.8	4.7	+0.8	+27.1
Trade and industry	2.6	3.3	3.0	3.7	+0.4	+15.9
Energy and public utilities	2.5	3.1	2.8	3.4	+0.3	+12.9
Communications	0.9	1.2	1.0	1.2	+0.1	+5.6
Agriculture	2.9	3.7	0.6	0.7	-2.4	-81.3
Social	27.8	34.7	28.6	35.3	+0.8	+2.9
Education and training	14.7	18.4	14.5	17.8	-0.3	-1.7
Health	6.8	8.5	7.0	8.6	+0.1	+2.1
Housing	1.3	1.6	1.5	1.8	+0.1	+10.5
Security	11.9	14.8	11.7	14.5	-0.1	-1.0
General administration	3.7	4.7	3.9	4.8	+0.2	+4.8
Gross DE	80.0		81.0		+1.0	+1.3

Note: % indicates share of development expenditure of Budget 2026
RE=Revised Estimate; B=Budget Estimate
Source: MOF

List of selected projects under development expenditure in 2026

Approximately 2,300 newly approved programmes and projects



Transport

- Road construction from Kalabakan to Simanggaris (connecting Malaysia and Indonesia borders)
- Air Traffic Control Centre in Kota Kinabalu, Sabah
- Two interchanges on the Lebuhraya Utara Selatan in Nilai, Negeri Sembilan; and Kerian, Perak



Environment

- Flood mitigation projects in Kubang Pasu, Kedah; Kuala Nerus, Terengganu; Segamat, Johor; and Seremban, Negeri Sembilan
- New drainage system in Kota Bharu, Kelantan
- River Conservation Project in Kuala Lumpur, Johor, and Kelantan
- National Flood Forecast and Warning Centre in Kuala Lumpur



Security

- New Sarawak Police Contingent Headquarters



Trade and Industry

- Flagship Project in Special Tourism Investment Zone
- PROSPER Growth Financing Programme
- High Impact Project Fund
- Perak Halal Industrial Park
- Air cargo logistics and industry warehouse hub in Pulau Pinang



Education and Training

- Immerse Learning and Agricultural Technology Advancement Centre for Food Security at Universiti Putra Malaysia



Housing

- Program Bantuan Rumah
- Program Rumah Mesra Rakyat

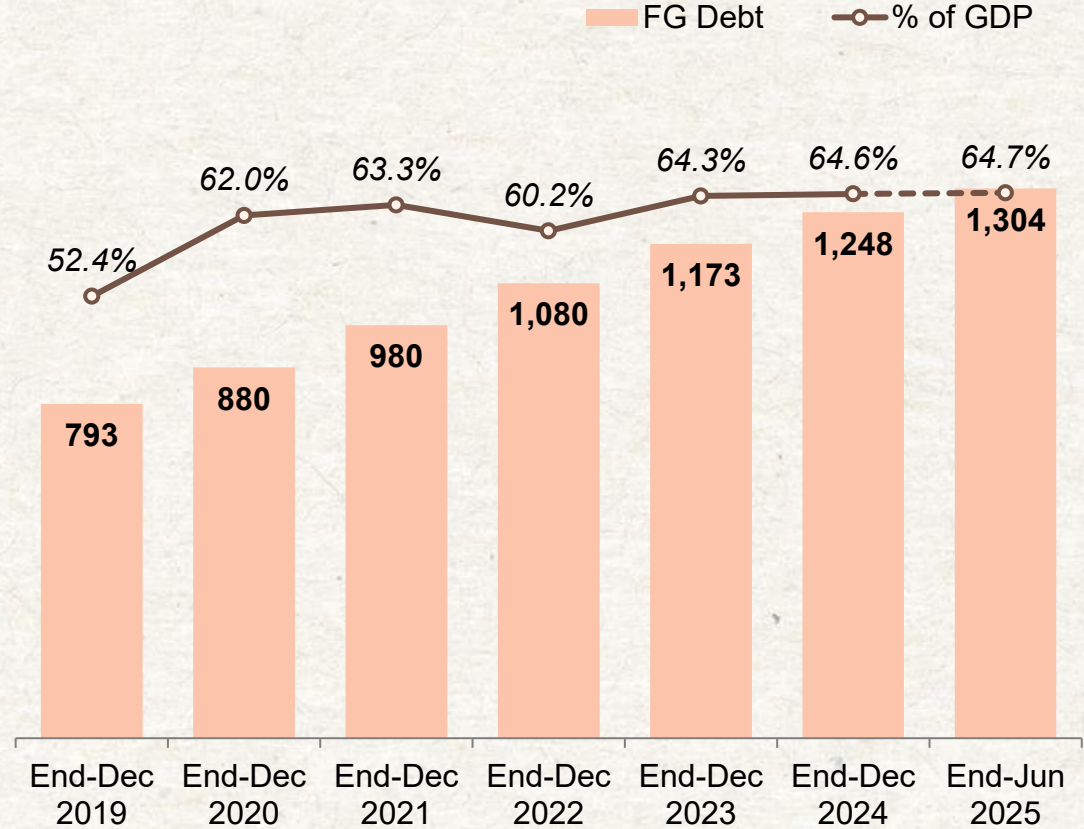


Health

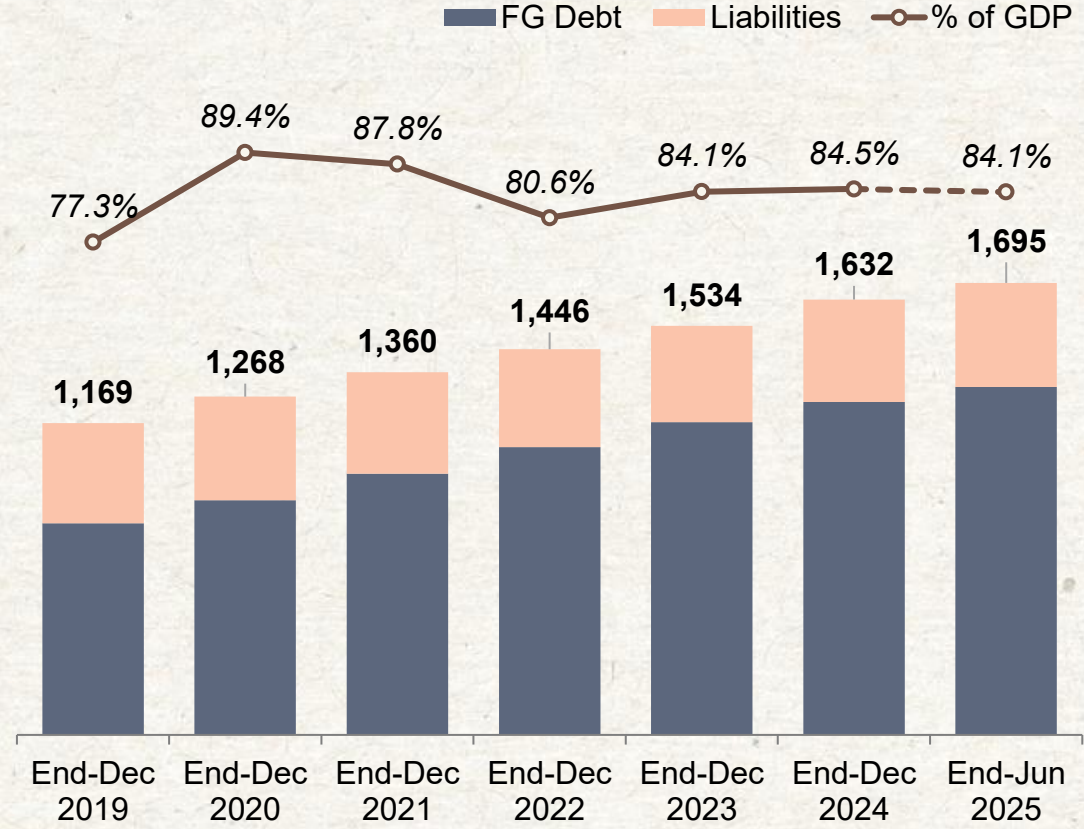
- Northern Region Cancer Centre in Kedah
- New rural clinics at Mukah, Sarawak; Kubang Semang, Pulau Pinang; and Nabawan, Sabah

Debt service charges (DSC) of total revenue **will rise** to **17.0% in 2026B** from **16.3% in 2025**, higher than the DSC limit of 15%.

Federal Government (FG)'s debt
RM billion



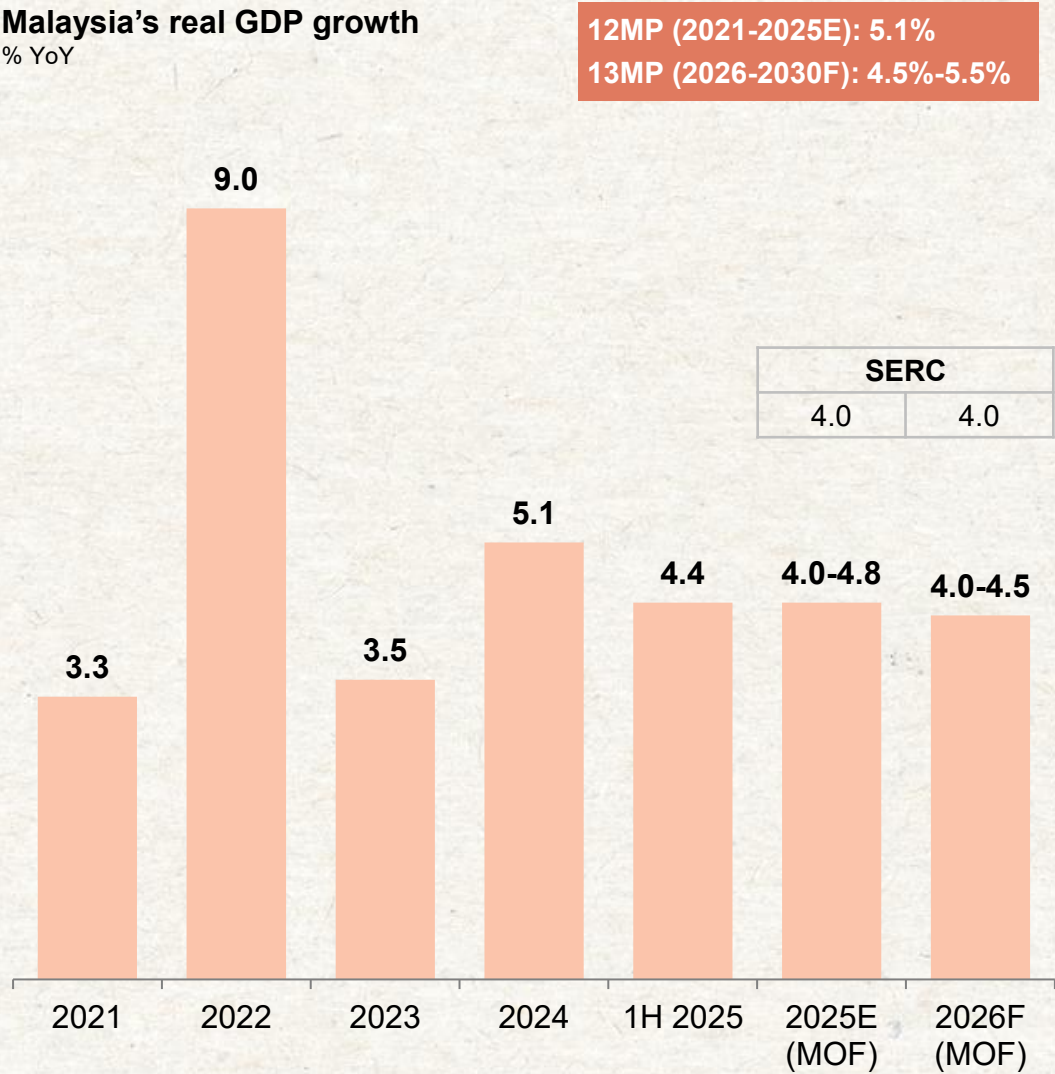
Debt and liabilities
RM billion



Source: BNM; MOF

MOF projects slower economic growth 4.0%-4.5% in 2026

Malaysia's real GDP growth
% YoY



E=Estimate; F=Forecast
Source: DOSM; MOF

Supporting Drivers

- Private consumption underpinned by strong labour market conditions (unemployment rate: 3.0% in 2025; 3.0% in 2026), continued income growth (nominal wage growth of 3.2% in 1H 2025), continued cash assistance (RM15.0 billion), second phase of SSPA implementation, and Visit Malaysia 2026 (VM2026) with foreign visitors target of 47 million in 2026 vs. 43 million in 2025 (35.6 million tourist arrivals in 2026 vs. 31.3 million in 2025)
- Investment will be sustained by increased capital spending on structures and machinery and equipment in technology-intensive manufacturing and services sectors
- Realisation of multi-year projects of substantial approved investments (2023: RM329 billion; 2024: RM384 billion; 1H2025: RM118.6 billion) in the pipeline. Realisation rate of approved manufacturing projects (85.1% in 2021 to June 2025)
- Moderate inflation (1.3%-2.0% in 2026 vs. 1.0-2.0% in 2025)

Risks

External

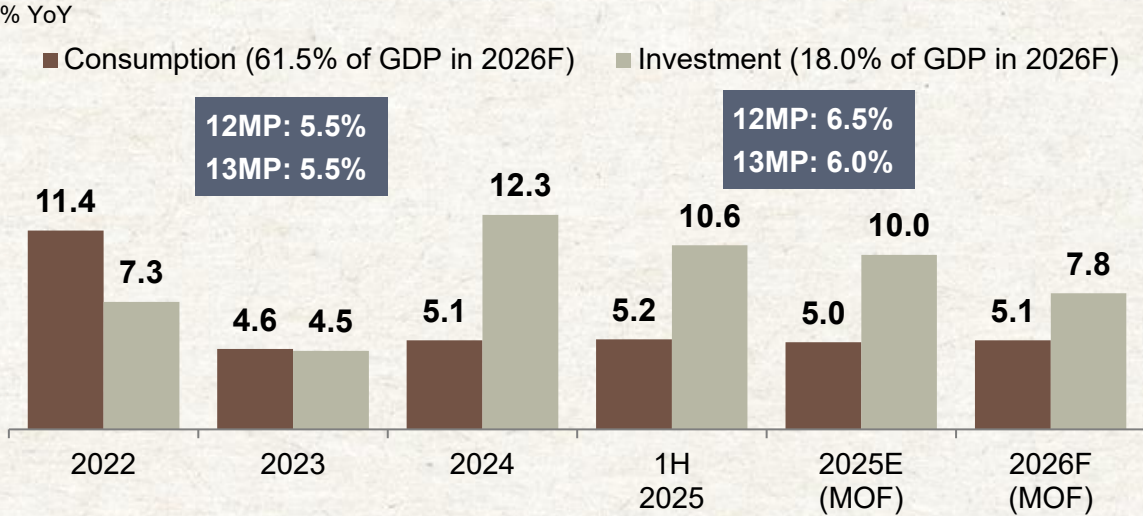
- Heightened global uncertainties
- Unsettled trade tariffs
- Prolonged geopolitical tensions
- Weaker global growth

Internal

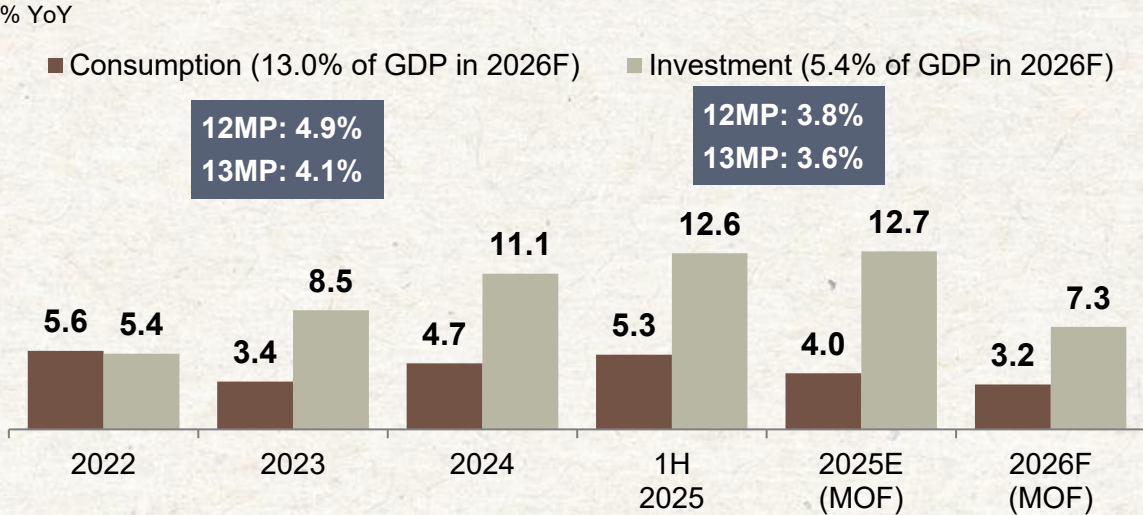
- Slow implementation of various master plans
- Domestic policy changes
- Weak exports negatively impact consumption, investment and economic activities

Domestic demand will anchor growth, driven by private sector

Private Consumption and Investment



Public Consumption and Investment



Source: DOSM; MOF; MIDA

Consumption

- Sustained income growth and favourable employment prospects
- Spillover effects from the implementation of Phase 2 of the SSPA, STR and the BUDI MADANI RON95 (BUDI95) targeted subsidy programme
- Higher tourism-related activities alongside major national and international events

Investment

- Increased capital spending on structures and machinery & equipment in technology-intensive manufacturing and services sectors
- Investment in high-value and innovation-led activities
- Ongoing initiatives such as GEAR-uP and the rollout of national masterplans

Private

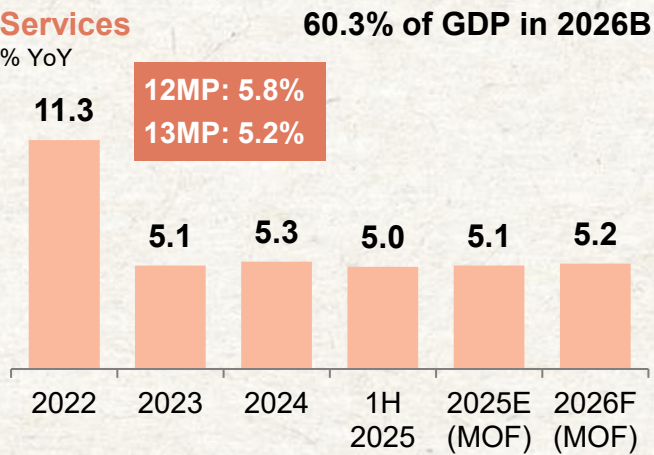
Public

- Increased spending on emoluments following salary adjustment under Phase 2 of the SSPA
- Continued delivery of essential public services

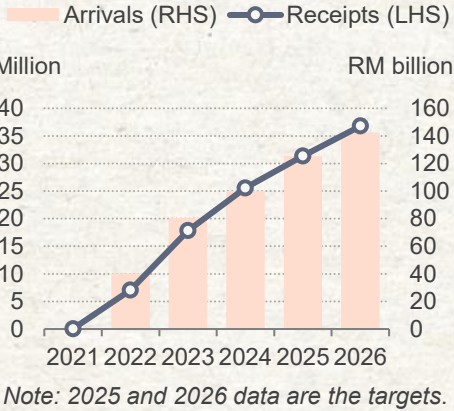
- Increased capital spending by public corporations
- Key developments in strategic sectors, including utilities, energy and transportation
- Implementation of new people-centric projects aimed at improving public wellbeing

Continued growth in key sectors in 2026

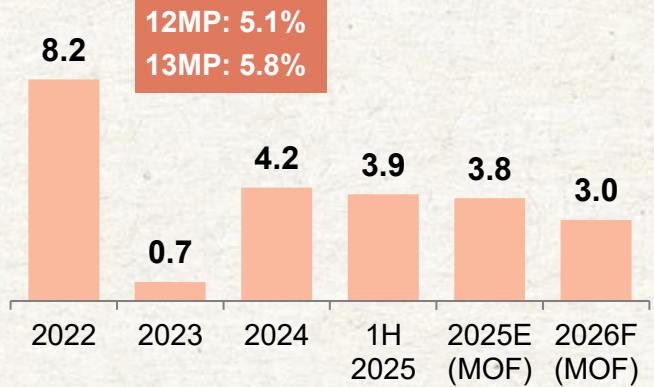
Real GDP growth by sector (% YoY)



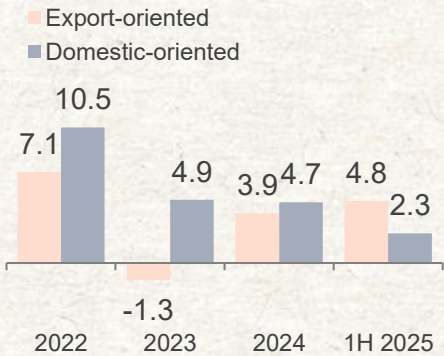
Tourist arrivals and receipts



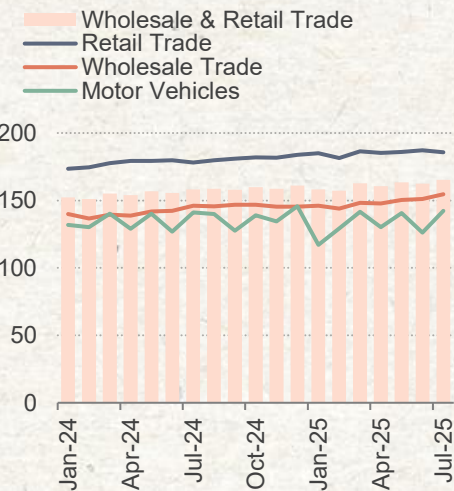
Manufacturing 22.7% of GDP in 2026B
% YoY



Growth by segment
% YoY



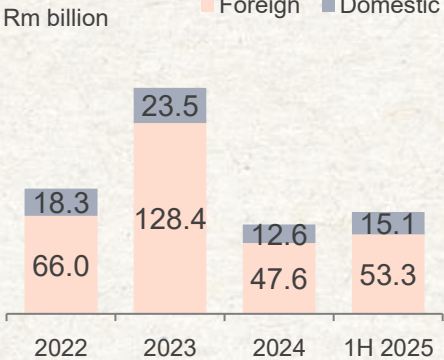
Volume index of wholesale and retail trade
(2015 =100)



Factors:

- Global technology upcycle; sustained growth across semiconductor products; robust demand for AI applications and digitalisation
- Higher domestic-oriented output attributed to stable investment and consumption activities
- Food and beverages segment supported by surge in visitor arrivals and rising gastronomic activities
- Transportation-related industries benefitted from increasing logistics and travel activities

Approved manufacturing investment



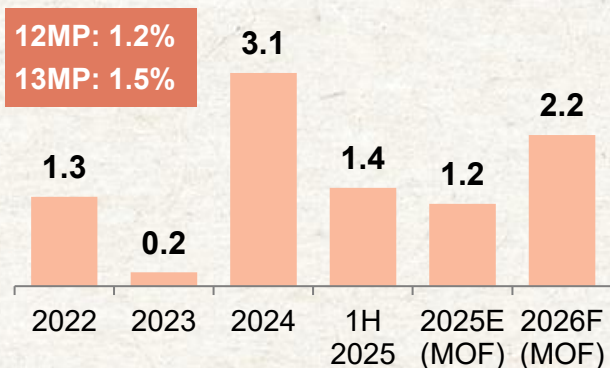
Factors:

- Increased tourism activities
- Expansion in rail, highway, port and airport activities
- Engineering-related services
- Expansion in artificial intelligence (AI) technologies, data centre and cloud computing capacities
- Numerous business and leisure events nationwide
- Malaysia Year of Medical Tourism 2026 (MYMT 2026)

Source: DOSM; MOF; MIDA

Agriculture**6.0% of GDP in 2026B**

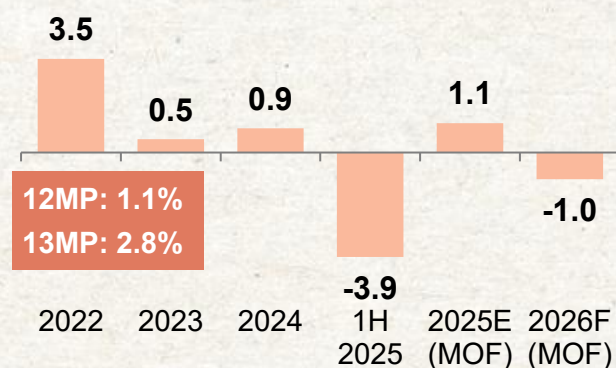
% YoY

**Factors:**

- Higher crude palm oil (CPO) output attributed to increased fresh fruit bunches (FFB) and oil extraction rate (OER) – Average CPO price is projected between RM3,900 and RM4,100 per tonne (2025: RM4,000-RM4,300)
- Rebound in rubber subsector, in line with higher production from both estates and smallholdings segments
- Expansion in output of livestock, fishing and other agriculture subsectors

Mining & Quarrying**5.5% of GDP in 2026B**

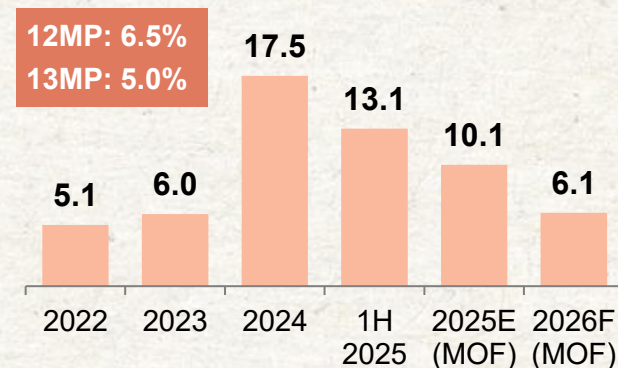
% YoY

**Factors:**

- Lower natural gas production in Peninsular Malaysia and Sabah as well as moderating demand from major importing countries; scheduled commencement of several new projects, including Rosmari & Marjoram in Sarawak as well as Ilong Timur and Kurma Manis in Terengganu
- Lower crude oil and condensate output in Sabah – Average Brent crude oil price is projected between USD60 and USD65/bbl (2025: Average USD70/bbl)

Construction**4.3% of GDP in 2026B**

% YoY

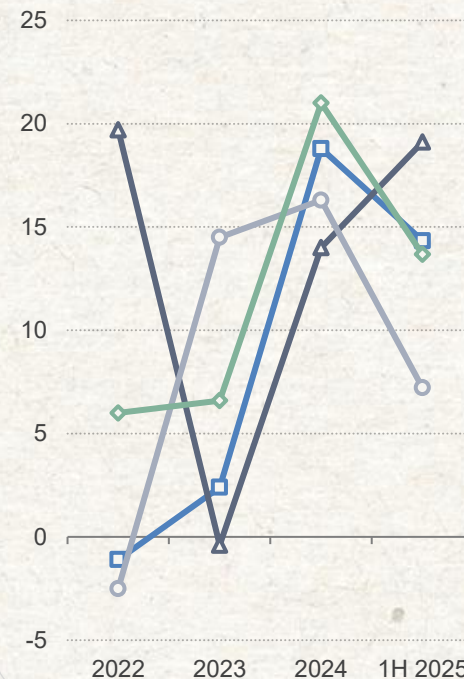
**Factors:**

- Realisation of approved strategic investments under national policies and commencement of projects under the Thirteenth Malaysia Plan
- Major infrastructure and utilities development such as LRT Mutiara Line, Hybrid Hydro Floating Solar (HHFS), and ASEAN Power Grid
- Sustained demand for industrial facilities, logistics hubs and data centres
- Government-led affordable housing programmes and targeted home ownership initiatives

Growth by segment

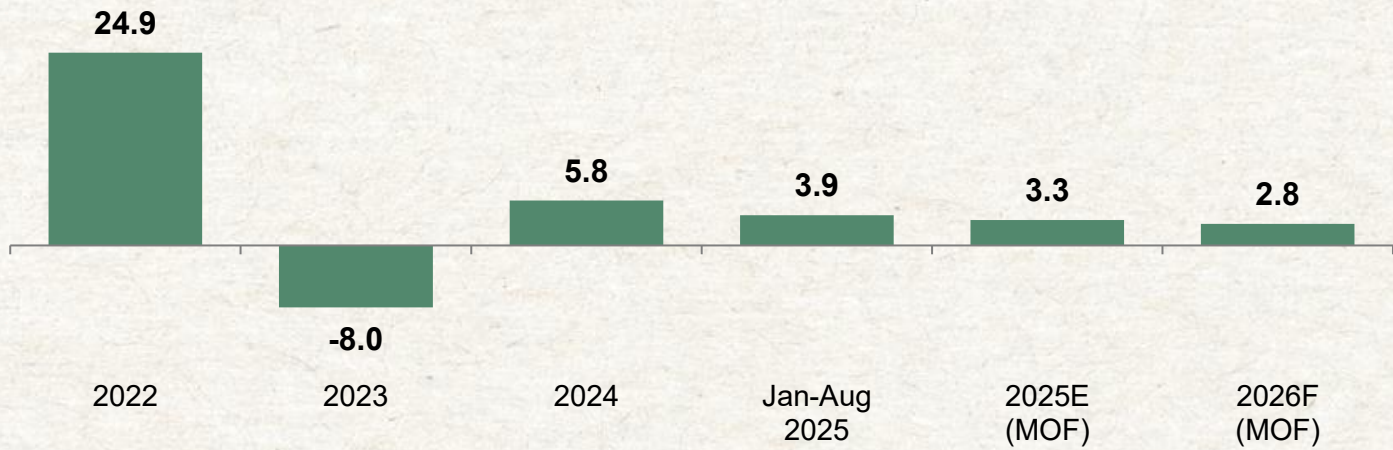
% YoY

- Residential
- Non-residential
- Civil engineering
- Specialised construction activities



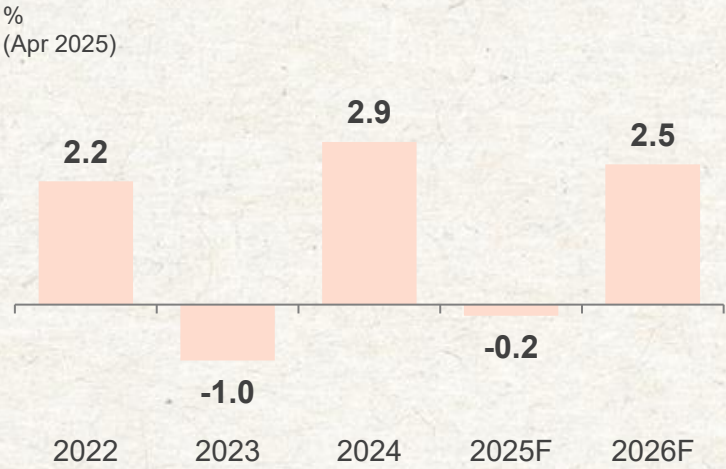
Exports prospect remains challenging due to global headwinds

Gross export growth
% YoY

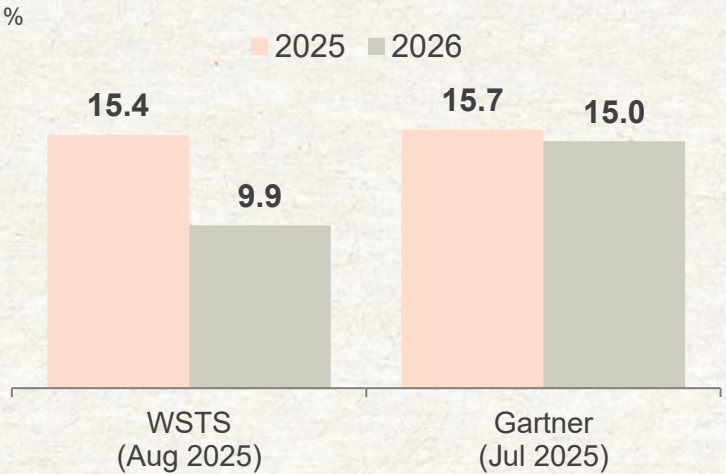


- Global uncertainties, particularly the shifting trade policy will weigh on external demand
- Continued expansion of the electronics and electrical products sector, driven by higher demand for semiconductor and AI edge applications
- Stronger external demand from trade expansion following market and product diversifications
- Intensified intra trade with ASEAN member countries as well as ventures into non-traditional markets
- Higher demand for palm oil-based manufactured products; manufactures of metal; chemicals and chemical products; as well as machinery, equipment and parts
- Sustained global demand for palm oil and palm oil-based agriculture products
- Contraction in mining exports, partly due to slower demand from major importing countries

WTO's merchandise trade volume growth

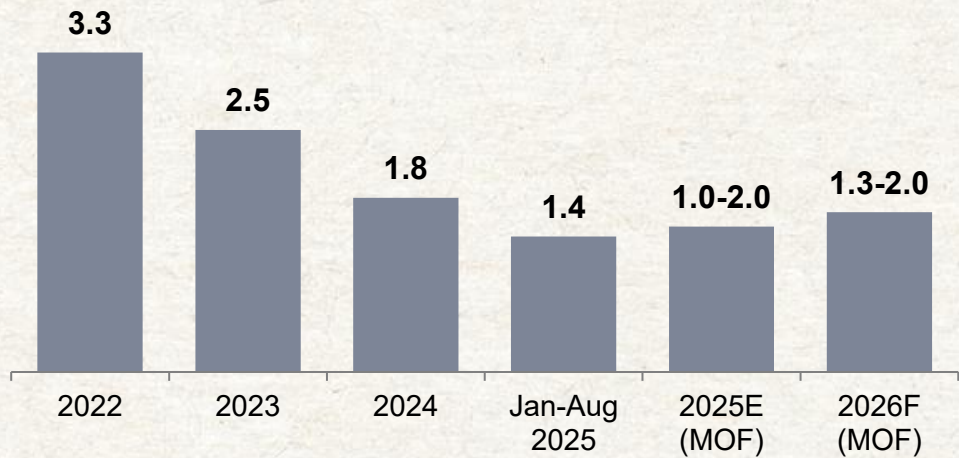


Selected semiconductor market forecast



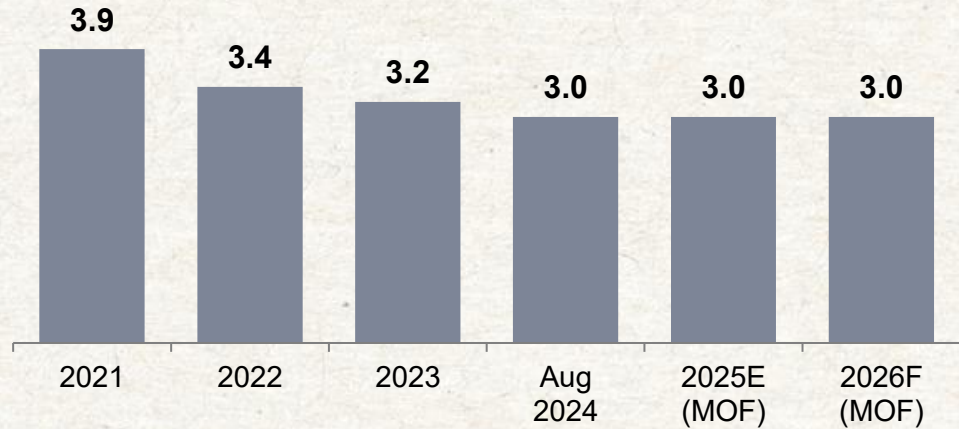
Source: DOSM; MOF

Inflation
% YoY



- Steady domestic demand, stable labour market conditions as well as policies that support household purchasing power and market stability
- Price pressures are anticipated to remain contained, supported by ongoing improvements in supply chains and productivity
- Upside risks: Potential adjustments to domestically administered prices or higher global commodities
- Downside risks: Stable ringgit, ongoing policy measures and any further easing in global food and energy prices

Unemployment rate
%



- Ongoing structural reforms, particularly the wage-setting mechanisms and efforts to enhance working conditions, are anticipated to encourage greater labour force participation and improve workers' well-being
- Lingering uncertainties in global trade may weigh on hiring in export- and commodity-related industries
- Robust growth in domestic-oriented sectors is expected to sustain employment and wage growth
- Number of low-skilled foreign workers is expected to decrease in 2026 on strict approval of foreign workers' quota applications



◆ **Part 2**
2026 Budget: Measures & Initiatives
你怎么说？

Budget 2026 priorities

Administrative & Governance

Prudent Fiscal Expansion

- 2026 Fiscal Deficit Projection (3.5%)
- 2026 Federal Government Revenue Projection (RM343.1b)
- 2026 Budget Allocation OE (RM338.2b), DE (RM81.0b), GLIC Investment (RM30b), PPP (RM10b), DBP & MKD (RM10.8b)
- Fiscal deficit target 3.5%
- Targeted subsidy

Law Reforms & Strengthening Enforcement

- Parliamentary & Judicial Institutions (RM220m) & Separation of Attorney General and Public Prosecutor
- Bill on Governance and Rakyat Protection
- Allocation for MACC, PDRM, JKDM, KPDN and MyCC (RM715m)
- Digital stamp duty, e-invoice & stamp duty self-assessment system, review of vehicle tax exemption in Langkawi & Labuan

MADANI Governance & Prioritising Rakyat

- MADANI initiatives (RM1b)
- Mobile services (RM118.4m), Mobile clinic and dental clinic (RM60.8m), KPT community outreach programme (RM27m)
- State Government Prioritise
- Basic Infrastructure Small Projects

Responsive & Innovative Public Service Delivery

- Expansion of MyDigital ID
- Government digital application (RM20m)
- STAR (RM25m); APPGM (RM15m)
- "Prompt AI" (RM50m)
- APEL Q Intan
- Social enterprise (RM15m)
- Government quarters (RM2.17b)
- Loan for first-time home buyers – public servants (SJKP, BSN)
- Skim Pembiayaan Muda LPPSA
- Public Servant Housing Programme (RM150m)

Raising the Ceiling

Boosting the Growth of HGHV Industries

- GLIC GEAR-uP – RM30b
- Sovereign AI Cloud – RM2b
- Loan fund for National Semiconductor Strategy – RM500m
- Strategic Investment Fund Programme for Bumiputera – RM105m
- National Energy Transition Facilitation Fund – RM150m
- Development of National Artificial Intelligence Office (NAIO) – RM18m

Driving Inclusive Growth & Narrowing Development Gap

- Sabah development allocation – RM6.9b
- Sarawak development allocation – RM6b
- Subsidy, incentives and paddy assistance – RM2.6b
- FELDA, FELCRA and RISDA – RM2.4b
- MINDEF allocation – RM21.7b
- KDN allocation – RM21.1b

Developing Regional MSME Champions

- Supporting SME through financing – RM50b
- Strengthening start-up ecosystem by Caddle Fund – RM54.8m
- MARA, Yayasan Peneraju & UTM – RM6b
- Empowerment of Bumiputera small contractor G1-G4 – RM2.4b

Globalising Malaysia's Economy

- Leading the development of ASEAN Power Grid
- Fund for Infrastructure Development at JS-SEZ
- Skim Insentif Pemampanan Pengeksport by EXIM Bank – RM500m
- Visit Malaysia Year Campaign
- Warisan KL – RM15m
- Visit Malaysia 2026 – RM500m

Raising the Floor

Addressing Cost of Living

- STR & SARA (RM15b)
- Payung Rahmah MADANI (RM500m)
- JKM welfare assistance (RM3.1b)
- Subsidised cost for necessity goods in the rural areas (RM250m)
- Jualan Agro MADANI (RM30m)
- i-TEKAD (RM35m)

Strengthening the Social System

- Basic Education (RM55b)
- Maintenance (RM3b), Sekolah Daif (RM1b)
- TVET industry-based program (RM7.9b)
- Dasar Peluang Kedua Fast Track, PEKA (RM10m) & Mulia Niaga program for female prisoner (RM5m)
- Implementation of Akta Pekerja Gig & Mikro Madani GiG (RM20m)
- i-Saraan, i-Saraan Plus & i-Suri (RM250m)
- Skim Lindung Kendiri (SKSPS) (RM100m)
- Senior citizens welfare incentives (RM1.26b)

Improving Quality of Life

- Health reform (RM45.5b)
- Maintenance of hospital and clinic (RM1.2b)
- Future Healthcare (RM650m), RESET (RM60m)
- Basic infrastructure road, water, electricity (RM3.3b)
- JENDELA 2 (RM780m) & POP Phase 2 (RM770m)
- Housing Kota MADANI, SJKP, HOC
- Repair & Rebuild Rumah Rakyat (RM480m)
- Maintenance of Jalan Persekutuan (RM2.5b)
- 1,450 electric buses and 300 electric vans
- Empowerment of National Agrofood (RM300m)

Safeguarding Social Justice

- GLIC/GLC Foundation & NGO matching grant (RM120m)
- Women at Work, Micro MADANI Wanita (RM150m)
- MARA, Yayasan Peneraju & UTM (RM6b); Orang Asli (RM412m)
- OKU assistance (RM1.4b); 100 special mobility vehicle
- Unity program & national identity (RM55m)
- Podium program & RTG (RM150m)
- Youth and sport (RM280m)

Budget 2026 sentiments



MICCI: Curbing Illicit Trade Could Save Billions, Strengthening Enforcement Lauded

MICCI notes with concern the government's decision to raise excise duties on tobacco and alcohol starting Nov 1, 2025. While we recognise the fiscal considerations behind this move, the Chamber had hoped excise rates would remain unchanged, given existing pressures on legitimate industry players already contending with rising costs and a persistent illicit market. The government should prioritise addressing smuggling and tax leakages, which could recover billions in lost revenue each year while fostering a fair and sustainable environment for legitimate businesses.

BUSINESS

SAMENTA WELCOMES BUDGET 2026 AS A POSITIVE, PRAGMATIC PLAN FOR SMES

🕒 10/10/2025 08:21 PM

FMM

What is lacking from Budget 2026

- Insufficient R&D Tax Incentives
- Lack of Incentives for Local Supply Chain Integration
- Absence of a National Export Resilience Fund
- Unresolved Sales and Service Tax (SST) Issues:
- Non-Reinstatement of the Brand Promotion Grant (BPG)

"We'd like to see more flexible instruments such as revenue-based financing, peer-to-peer lending, and credit lines that don't depend solely on collateral. An increase in credit guarantees would also be useful," he said.

He also urged stronger support for digitalisation and small-scale automation, saying not every SME can afford a full smart factory, but incremental digital upgrades can significantly improve productivity.

"We hope the 2026 Budget will expand co-funding to make digital adoption and small-scale automation possible for SMEs with leaner paperwork. The quantum can be as low as RM20,000 to RM200,000, but make them widely available," Ng said.



Why is it a Responsible and Supportive Budget?

以“稳中求进、兼顾人民福祉”为核心:

- 1. 保持经济增长势头
- 2. 增强财政弹性以缓冲未来的冲击
- 3. 弥合结构性差距，缓解颠覆性趋势

由于政府在财政可持续性和维持经济扩张之间取得平衡，总体预算立场仍然温和扩张。

- 没有新的税收
- 提高烟酒税率，对钢铁和能源征收碳税
- 采纳了中总提呈的部分建议，包括市场发展基金、绿色能源、农业投资与房地产领域

正面影响

- 批发和零售、旅游相关服务业、物流、建筑、高增长高价值行业（半导体、绿色能源和数字化）、农业以及风险投资行业

负面影响

- 钢铁和能源等行业征收碳税，但其实施仍取决于《气候变化法案》的通过
- 烟酒行业



◆ **6 Areas & 6 Key Measures
for Discussion and Feedbacks**

Area #1: MSMEs Loan Financing

SELECTED KEY MEASURES

RM50 billion Government’s loans and guarantee facilities

- RM30 billion Government Guarantee Scheme through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) to continue supporting SMEs in focus sectors such as Bumiputera (RM10billion), high technology and semiconductor (RM5 billion), halal (RM2 billion), mid-tier companies (RM5 billion), ESG and tourism (RM2 billion), and others, including expansion to include guarantees for microfinancing (RM6 billion)
- RM1.6 billion BSN microfinancing scheme
- RM4.5 billion financing facilities by Bank Pembangunan Malaysia Berhad (BPMB)
- RM505 million financing facilities by Export-Import Bank of Malaysia Berhad (EXIM Bank)
- Nearly RM2 billion financing facilities by Small and Medium Enterprise Development Bank Malaysia (SME Bank)
- RM1.1 billion by Agrobank for various financing schemes in the food security sector
- BNM funds worth RM3 billion will transition towards guarantee-based support, focusing on underserved segments and high-impact activities such as digitalisation, automation, innovation and green transition
- RM20 million financing facility for local SMEs to expand their operations into overseas markets through SME Corp

COMMENTARY

- SJPP include microfinancing reflects inclusiveness of broadening access to funding for smaller enterprises, but the actual impact will depend on the implementation and uptake at the ground level.
- While BNM transitions to guarantee-based support, financial institutions must remain open to business financing needs.
- Transparent and timely approvals, along with quick disbursement, are crucial.
- Propose to establish a consolidated unit to monitor and oversee the utilisation of all financing facilities and guarantee schemes, and track total available funds, approval rates, and disbursement progress, with publishing the data periodically.

DISCUSSION

- **What were the main difficulties you faced when applying for loan financing (e.g. documentation, eligibility, approval time, collateral requirements)?**

Challenges in accessing Government benefits

#1	Complexity and lengthy processes	61.1%
#2	Lack of understanding of eligibility requirements	54.5%
#3	Lack of awareness about available programs	43.6%
#4	Non-transparent approval	40.2%
#5	Inconsistent treatment	35.3%

Source: ACCCIM M-BECS 1H 2025 & 2H 2025F

Area #2: TVET Empowerment and Talent Development

SELECTED KEY MEASURES

- Draft the TVET Bill
- RM7.9 billion (vs. RM7.5bn in 2025) for overall TVET programs
- RM45 million for the National TVET Council to integrate digital technology and AI training
- RM3 billion for HRD Corp to provide 3 million training opportunities in high-tech, digital, and energy transition sectors
- RM34 million for the Academy in Industry Programme to train local talent and reduce reliance on low-skilled foreign labour
- Double tax deduction for companies offering scholarships, now extended to include qualified professional certification courses

COMMENTARY

- Prioritising digital technology and AI integration to strengthen talent quality and meet evolving industry needs.
- Education and training remain key priorities - 21.2% of total spending or 4.2% of GDP in 2026.
- While most TVET graduates are skilled and employed in the private sector, their concentration in service-related roles and modest earnings suggest persistent wage compression and limited opportunities for upward career mobility.

DISCUSSION

- **Any improvement in the quality of TVET graduates in recent years?**
- **Do you think current TVET programmes are better aligned with industry needs and standards?**
- **What are the main differences between TVET graduates and conventional academic graduates in Malaysia?**

Area #3: AI, Digitalisation and Automation

SELECTED KEY MEASURES

- RM5.8 billion of cross-ministerial allocation for RDCI activities
- RM53 million for the Malaysia Digital Acceleration Grant (MDAG) to support the adoption of blockchain, AI, and quantum computing
- Additional 50% tax deduction for MSMEs on AI training expenses recognised by the MyMahir National AI Council for Industry (NAICI) - valid from 1 Jan 2026 to 31 Dec 2027.
- Tax incentives for automation in agriculture extended to include closed-house chicken rearing systems.
- Accelerated Capital Allowance (ACA) on Plant, Machinery, and ICT Equipment, fully claimable within two years.
- RM30 million financing for Technology Accelerator and Commercialisation Scheme (TACT) for innovative and technology-based start-up companies
- RM400 million financing for SME Technology Transformation Fund

COMMENTARY

- Malaysia's AI adoption remains at an early stage. While 84% of enterprises are still exploring AI, fewer than 20% have implemented it.
- Accessibility is key – MSMEs, start-ups, and research institutions should be able to access and co-develop with national AI models.
- Promotes inclusive and collaborative AI innovation across sectors.

DISCUSSION

- **How do you feel about the Budget's strong focus on AI and technology?**
- **Do you believe that the government's AI-related programmes and incentives can genuinely support the AI adoption or development efforts?**
- **Do you see AI development relevant to your organisation now?**

Area #4: Export Market Expansion

SELECTED KEY MEASURES

- RM60 million to facilitate MSMEs to export Malaysian products and services:
 - RM50 million for Market Development Grant (MDG)
 - RM10 million for Malaysia Go Global
- RM500 million soft loans by the EXIM Bank to assist companies affected by global trade tariff tensions
- SJPP is ready to guarantee up to 70% of financing for export-oriented mid-tier companies, including those expanding into new markets, with a total guarantee value of up to RM5 billion
- RM10 million for Program Jaringan Strategik Ekonomi, Perdagangan dan Pelaburan implemented primarily in new high-potential markets
- RM5 million Trade Credit Protection Takaful Scheme under EXIM Bank as an incentive for first year takaful contribution payment

COMMENTARY

- Allocation for MDG is higher than RM40 million in 2025, but marketing expenses are also rising.
- ACCCIM proposed to increase the lifetime cap of the MDG to RM500,000 (from RM300,000 currently), while raising the per-claim ceiling to RM35,000 (from RM25,000) for international trade fairs and exhibitions, and RM10,000 (from RM5,000) for locally held trade fairs and exhibitions.

DISCUSSION

- **Considering the ongoing global trade uncertainties, what further forms of government support would be most helpful to strengthen your export activities?**

Area #5: Tourism

SELECTED KEY MEASURES

- RM705 million to stimulate the tourism sector:
 - RM500 million to ensure the success of Visit Malaysia 2026
 - RM60 million to support the promotion, marketing and organisation of tourism events and cultural activities
 - RM20 million to boost health tourism programmes by the Malaysia Healthcare Travel Council
- Tax incentives for the sector:
 - Up to RM500,000 tax deductions are given to tourism operators undertake renovation, refurbishment or upgrading premises
 - 100% income tax exemption are given to tour operators on increased revenue from tourism packages
 - 100% income tax exemption for organisers of international conferences, trade exhibitions, or incentive events
 - 50% income tax exemption for organisers of international arts, culture, tourism, sports, and recreation events with foreign participants

COMMENTARY

- The upcoming Visit Malaysia 2026 (VM2026) aims to attract 47.0 million visitors or 35.6 million tourists, with RM329 billion total receipts or 15.5% of total GDP (RM147 billion tourist receipts). In Jan-Jul 2025, visitors came to Malaysia have reached 24.5 million (tourist arrivals: 15.5 million), up 16.8% yoy (10.1% yoy for tourists), staying on track to meet the 43.0 million visitors and 31.3 million tourists target in 2025.
- It is proposed that the tax deduction on renovation and refurbishment for business premises can be expanded to other sectors.

DISCUSSION

- **Which aspects of the current tourism promotion efforts do you think could be improved to achieve better results?**
- **What additional support do you think would help attract tourists and encourage them to revisit Malaysia?**

Area #6: Agriculture

SELECTED KEY MEASURES

- 100% income tax exemption on statutory income for 10 years for companies undertaking new food production projects; 100% income tax exemption for 5 years for existing companies expanding their projects; the application period for tax incentives extended until 31 December 2030
- RM1.1 billion in financing by Agrobank for entrepreneurs to expand businesses and support automation and mechanisation in agricultural projects
- RM2.62 billion various subsidies and assistance for paddy farmers, such as paddy price subsidies, crop subsidies, fertiliser subsidies, seed subsidies and paddy production incentives
- RM178 million subsidy for fishermen

COMMENTARY

- Land availability remains a major concern, with nearly 90,000 hectares of abandoned land nationwide. A more ambitious and scalable strategy is needed to fully utilise these land resources to strengthen food security.
- Development expenditure for agriculture sector declined drastically by 81.3% to RM0.6 billion in 2026 (RM2.9 billion in 2025), raising concerns over whether the funding is sufficient to support critical initiatives for the development of food security, modernisation, and the adoption of technology.

Measure #1: Expedite Refunds of Overpaid Tax

Expedite the refunds of overpaid tax

INFORMATION

- Speed up the process of returning excess tax payments to taxpayers when a company or individual pays more tax than is actually due.

Current tax refund strategies and actions taken by LHDN:

- Adopting the First In, First Out (FIFO) concept, whereby older refund backlogs will be prioritised.
- Distributing refunds in a balanced manner based on the age of the outstanding cases
- Making full refund payments for cases under the individual category
- Making refund payments to all taxpayers according to the predetermined amount

DISCUSSION

- How many of you have experienced delays in getting your tax refund from LHDN?
- How long did it take for your business to receive the refund?

Measure #2: Adjustment in Accelerated Capital Allowance (ACA)

Accelerated Capital Allowance (ACA) on capital expenditure for plant, machinery, and ICT equipment can be fully claimed within 2 years, for qualifying capital expenditure from 11 Oct 2025 to 31 Dec 2026

INFORMATION

Current Position			Proposal under Budget 2026		
Types of Assets	Initial Allowance	Annual Allowance	Qualifying Expenditure	Initial Allowance	Annual Allowance
Motor vehicle, heavy machinery	20%	20%	Procurement of heavy machinery from local manufacturers	20%	40%
Plant and general machinery	20%	14%	Procurement of plant and general machinery acquired from local manufacturers		
Others	20%	10%	Purchase of ICT equipment and computer software		
ICT equipment and computer software	40%	20%	Consultation, licensing and incidental fees related to customised computer software development		

At least 3 years to fully claim

Can be fully claimed within 2 years

COMMENTARY

- Improve businesses' cash flow and liquidity, enabling for reinvestment or better working capital management
- Easing transition to digital compliance (e.g. e-invoicing) and encouraging greater investment in digital infrastructure

E-invoicing implementation phase	Implementation date
4 th phase (Sales/Revenue: >RM1 million up to RM5 million)	1 January 2026
5 th phase (Sales/Revenue: RM500,000 to RM 1 million)	1 July 2026

- It is crucial that the tax allowance adjustment be gazetted to ensure its effective implementation
- Some machineries may not be available locally, consideration should be given to ACA claims for machinery sourced from overseas under the "Special Approval"

Measure #3: Tax Incentive for Training in AI

Additional 50% tax deduction for AI training expenses recognised by the MyMahir National AI Council for Industry (NAICI) in 2 years

INFORMATION

Current Position

- Training expenses directly related to business activities are tax-deductible under Section 33 of the Income Tax Act 1967.
- Further deductions are available for approved training programmes in manufacturing, non-manufacturing, hotel, and tourism sectors.
- HRDF-contributing companies are not currently eligible for further deductions.

Proposal

- To promote AI adoption, MSMEs (including HRDF contributors) can claim an additional 50% tax deduction on AI training recognised by the MyMahir National AI Council for Industry (NAICI).
- Applicable once every two years.

COMMENTARY

- Expand the 50% additional tax deduction beyond AI to include other forms of workforce training that enhance digital and innovation capacity.

Measure #4: Residence Pass-Talent Fast Track

Offer the Residence Pass-Talent (RP-T Fast Track) for international corporate leaders and identified individuals to contribute to economic development, with exemption from the 3-year Employment Pass condition

INFORMATION

- The Residence Pass–Talent (RP-T) is a long-term work and residence pass for highly skilled expatriates.
- To qualify for the RP-T:
 - 1 Worked in Malaysia ≥ 3 consecutive years with a valid Employment Pass – **Exempted in this Budget**
 - 2 Minimum salary: RM15,000/month (excluding allowances / bonuses).
 - 3 Tax compliant: Income tax paid for the past 2 years.
 - 4 Hold a degree/diploma/professional certification and ≥ 5 years' work experience.

COMMENTARY

- The RP-T will become a more attractive option for foreign talent seeking greater flexibility to reside and work in Malaysia.
- However, there is a risk of misuse if foreign professionals obtain the RP-T without making genuine, long-term contributions to local talent development or capacity building.

Measure #5: Salary Threshold for Employment Contracts Exempted from Stamp Duty

The monthly salary threshold for employment contracts exempt from stamp duty will be raised to RM3,000 from RM300 starting 1 January 2026

INFORMATION

- Under the Stamp Act 1949, employment contracts are subject to a stamp duty of RM10, and a penalty of up to RM100 applies if not stamped within 30 days of execution
- Exemptions given to monthly wage not exceeding RM300 per month
- Interim measures as announced by LHDN on 6 Jun 2025:
 - Employment contracts entered into before 1 Jan 2025 are exempt from stamp duty, and no penalties will be imposed for late stamping
 - Employment contracts entered into between 1 Jan 2025 and 31 Dec 2025 are subject to stamp duty. Late stamping penalties will be remitted (i.e. no penalties), provided the contracts are stamped on/before 31 Dec 2025

COMMENTARY

- Lower than ACCCIM's proposal of RM10,000
- Remains administratively burdensome for employers
- According to the Employee Wages Statistics (Formal Sector) report, slightly more than half (50.7%) of employees earned at least RM3,000 as of Q1 2025, implying over half of total workforce will still require stamping during recruitment

Measure #6: Carbon tax

Carbon tax will be introduced next year for the iron and steel & energy sectors

INFORMATION

- A carbon tax is a fee that the government charges on businesses or activities that produce carbon dioxide (CO₂) and other greenhouse gases.
- Align with the tabling of the National Carbon Market Policy and the Climate Change Bill.
- 43 countries* worldwide (incl. Malaysia) have implemented, are developing, or are considering a carbon tax.
- 37 countries* worldwide have implemented, are developing, or are considering emissions trading systems (ETs).

COMMENTARY

- While the proposed carbon tax initially targets the iron, steel, and energy sectors, its spillover effects on other industries remain unclear.
- There is uncertainty about future expansion – whether it will later cover transport, logistics, and other high-emission sectors.
- Limited details on the tax structure and implementation framework have been disclosed.
- Establishing an effective carbon tax requires accurate emissions data and robust monitoring and reporting systems to ensure transparency and compliance.

DISCUSSION

- **Are you ready to adapt if the carbon tax policy directly or indirectly affects your sector?**

* World Bank



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