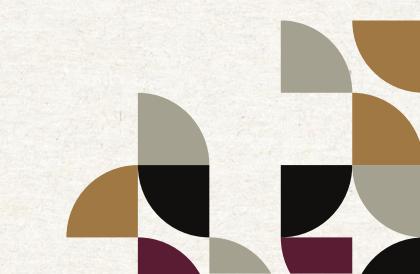


# Ministry of Finance's Economic and Fiscal Outlook and National Budget 2026

A Prudent yet Supportive Budget 2026

10 October 2025





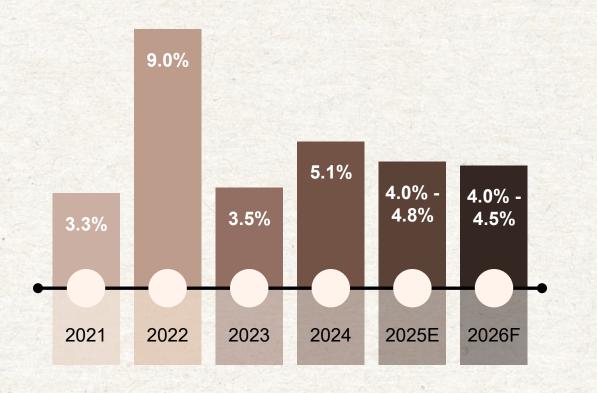


Part 1
 2026 Budget Snapshots
 Fiscal Outlook & Economic Prospects

### **Budget 2026: Economic outlook and Fiscal position**

### **Economic Growth**

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

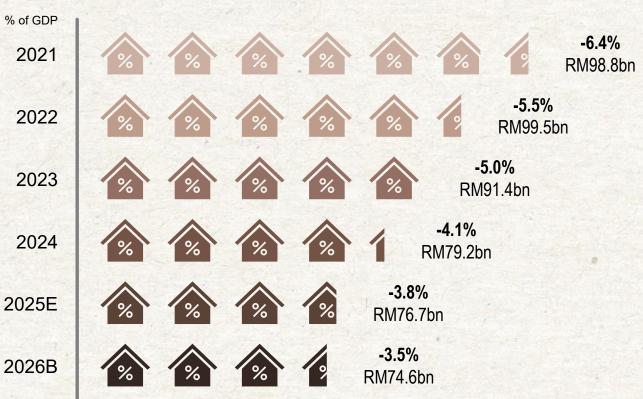


### **Fiscal Deficit**

Gradual fiscal consolidation is on track

Persistent fiscal deficits for the **29<sup>th</sup>** consecutive year in 2026

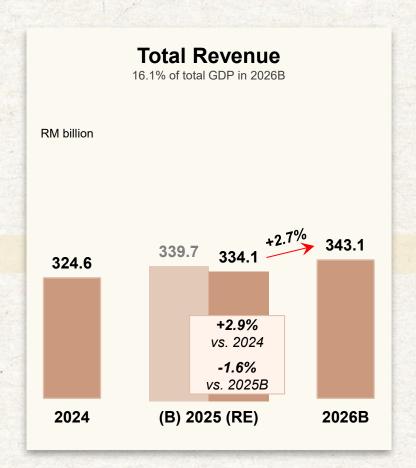
amid reducing deficit ratio for the **5<sup>th</sup>** consecutive year since 2022

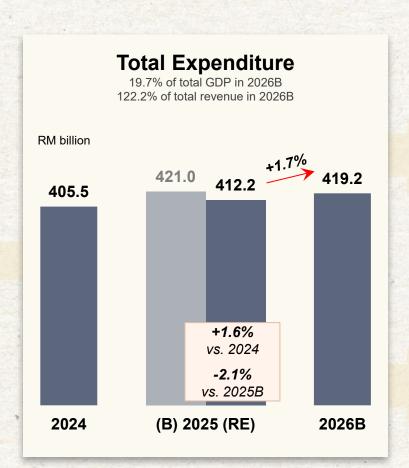


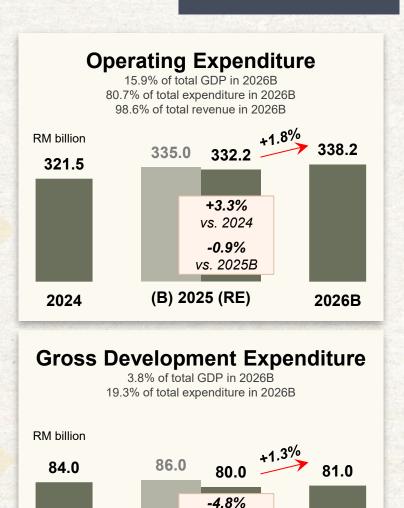
Source: MoF

E=Estimate; F=Forecast; B=Budget Estimate

### **Budget 2026: A mildly expansionary budgetary operation**







vs. 2024 -7.0% vs. 2025B

(B) 2025 (RE)

2024

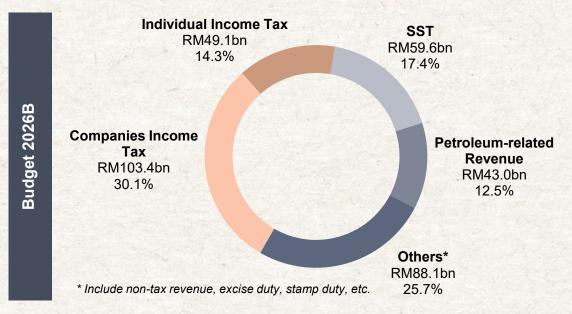
Source: MoF

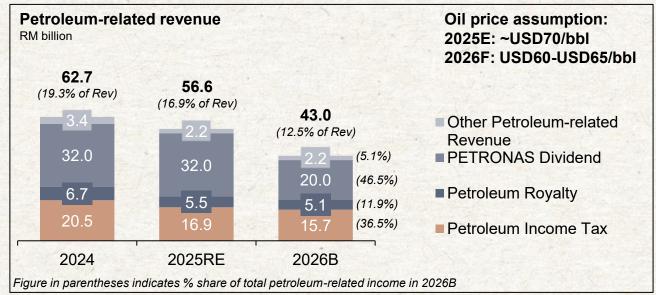
(B)=Budget Estimate in Budget 2025; (RE)=Revised Estimate; B=Budget Estimate

Note: Excludes 2026 Budget measures

2026B

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



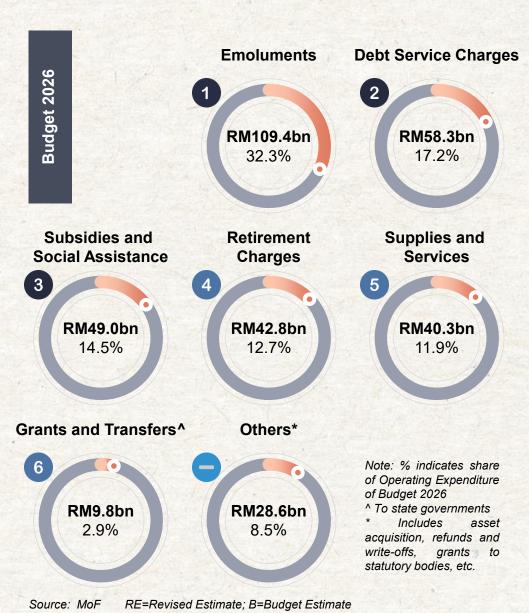


| Major components                            | 2025RE<br>(RM billion) | Share<br>(%) | 2026B<br>(RM billion) | Share<br>(%) | Change<br>(RM billion) | Change<br>(%) |
|---|------------------------|--------------|-----------------------|--------------|------------------------|---------------|
| Direct 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?

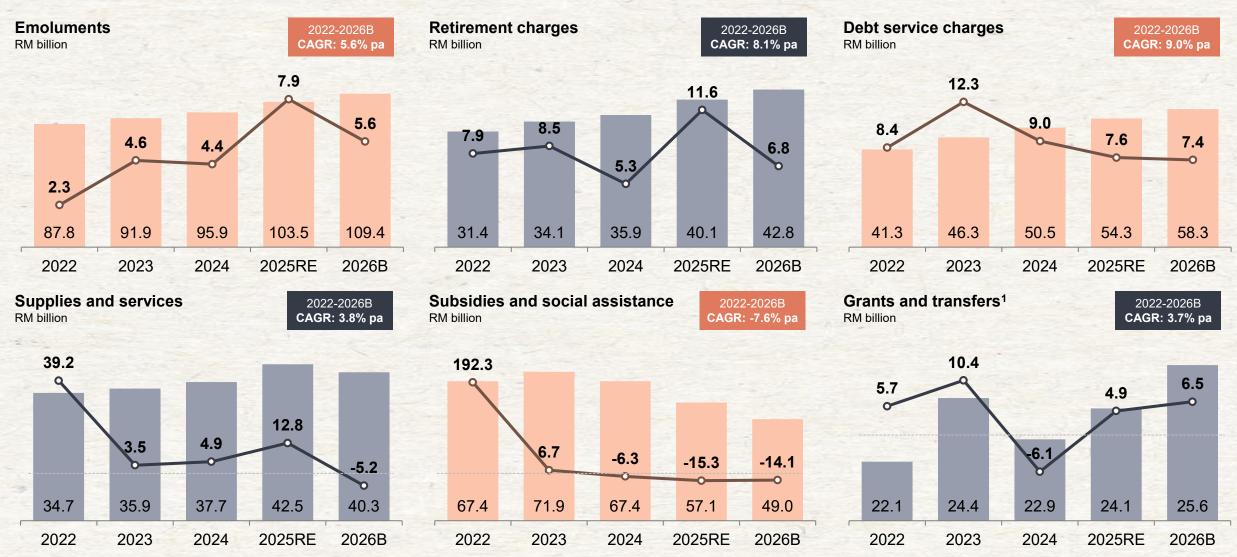


| Major components                  | 2025RE<br>(RM billion)          | Share<br>(%)              | 2026B<br>(RM billion)        | Share<br>(%)              | Change<br>(RM billion)       | Change<br>(%)               |
|-----------------------------------|---------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|-----------------------------|
| 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 <sup>^</sup> | 9.3                             | 2.8                       | 9.8                          | 2.9                       | +0.6                         | +6.1                        |
|                                   |                                 |                           |                              |                           |                              |                             |
| By sector                         | 2025RE<br>(RM billion)          | Share<br>(%)              | 2026B<br>(RM billion)        | Share<br>(%)              | Change<br>(RM billion)       | Change<br>(%)               |
| By sector  Economic               |                                 |                           |                              |                           |                              |                             |
|                                   | (RM billion)                    | (%)                       | (RM billion)                 | (%)                       | (RM billion)                 | (%)                         |
| Economic                          | (RM billion)                    | (%)<br>6.6                | (RM billion)                 | (%)<br>6.5                | (RM billion)<br>+0.1         | +0.3                        |
| Economic<br>Social                | (RM billion)  22.0  121.1       | (%)<br>6.6<br>36.4        | (RM billion) 22.1 127.3      | (%)<br>6.5<br>37.6        | (RM billion)<br>+0.1<br>+6.3 | (%)<br>+0.3<br>+5.2         |
| Economic Social Security General  | (RM billion)  22.0  121.1  30.3 | (%)<br>6.6<br>36.4<br>9.1 | (RM billion) 22.1 127.3 32.7 | (%)<br>6.5<br>37.6<br>9.7 | +0.1<br>+6.3<br>+2.4         | (%)<br>+0.3<br>+5.2<br>+8.0 |

<sup>\*\*</sup> Includes debt service charges, retirement charges, and transfer payments.



### **Operating Expenditure (OE) by component**



Note: Line chart indicates an annual rate of change in component of operating expenditure; straight line indicates 0%.

Source: MoF RE=Revised Estimate: B=Budget Estimate

<sup>&</sup>lt;sup>1</sup> Includes grants and transfers to state governments and grants to statutory bodies only.

### RM15.5 billion subsidies saving in 2025



Jan 2023 ICPT Surcharge



Nov 2023 Chicken Subsidy



Feb 2024 Water Tariff



Jun 2024

Diesel Subsidy



Jul 2025 SST Expansion



Aug 2025 Egg Subsidy



Sep 2025 RON95 Subsidy

Saved

**RM6** billion

Saved RM1 billion

Average bill Increase by RM3

Saved

RM5 billion

Increase RM5 billion in 2025 and RM10 billion per year

Saved RM1 billion

Saved RM2.5 billion

Started in May 2025 and full removal in Aug 2025.

85%

consumers are unaffected by higher tariffs

Price & supply remain stable following subsidy withdrawal

Increased water tariff across all states in Peninsular Malaysia

80%
diesel consumers
continue to receive
cash aid

More items and five services categories

Price & supply remain stable following subsidy withdrawal

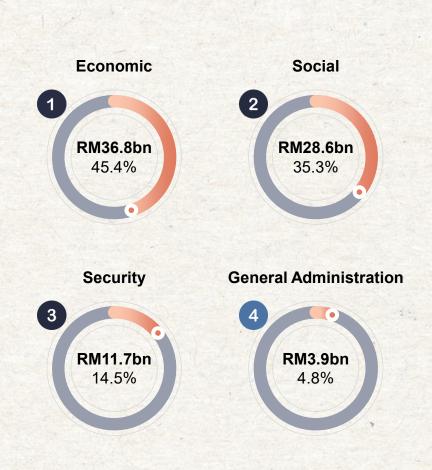
16.5 million eligible citizens

Source: MoF



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

Budget 2026



Note: % indicates share of development expenditure of Budget 2026

RE=Revised Estimate; B=Budget Estimate

Source: MoF

| By sector and major sub-sector | 2025RE<br>(RM billion) | Share<br>(%) | 2026B<br>(RM billion) | Share<br>(%) | Change<br>(RM billion) | Change<br>(%) |
|--------------------------------|------------------------|--------------|-----------------------|--------------|------------------------|---------------|
| 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<br>administration      | 3.7                    | 4.7          | 3.9                   | 4.8          | +0.2                   | +4.8          |
| Gross DE                       | 80.0                   |              | 81.0                  |              | +1.0                   | +1.3          |

### 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

% of GDP

15.7

13.8

1.9

15.4

0.4

3.6

0.1

3.6

-3.2

-0.5

2026-2028

Total (RM billion)

1,072.2

943.1

129.1

1,045.9

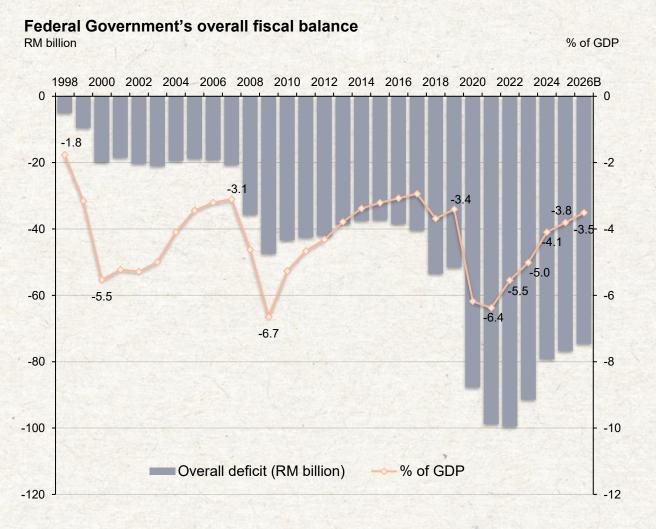
26.3

247.0

3.9

243 1

### Fiscal consolidation remains on track to achieve fiscal stability



| Underlying assur           | mptions (average) |  |
|----------------------------|-------------------|--|
| Primary balance            | -31.7             |  |
| Overall balance            | -216.8            |  |
| The development experiance | 270.1             |  |

**Medium-Term Fiscal Framework** 

Non-petroleum

**Current balance** 

Petroleum-related

Operating expenditure

Less: Loan recovery

Net development expenditure

Gross development expenditure

(MTFF)

Revenue

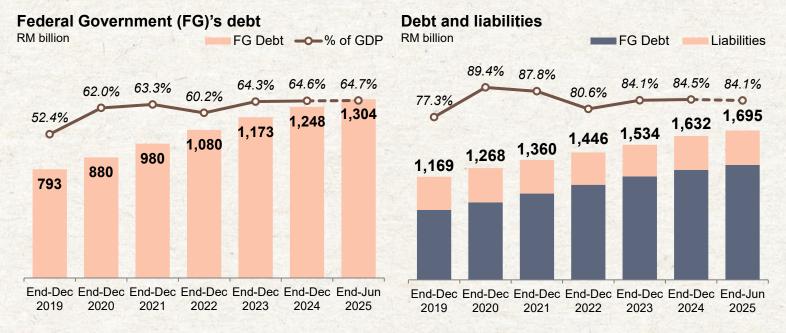
RE=Revised Estimate; B=Budget Estimate

Note: MTFF estimate, excluding 2026 budget measures

Source: MoF

| Real GDP growth (%)    | 4.9 | Crude oil price (USD per barrel) | 70                   |
|------------------------|-----|----------------------------------|----------------------|
| Nominal GDP growth (%) | 6.3 | Oil production (barrels per day) | 450,000 –<br>500,000 |

### Federal Government's debt and liabilities position



### **Debt legislative guidelines**

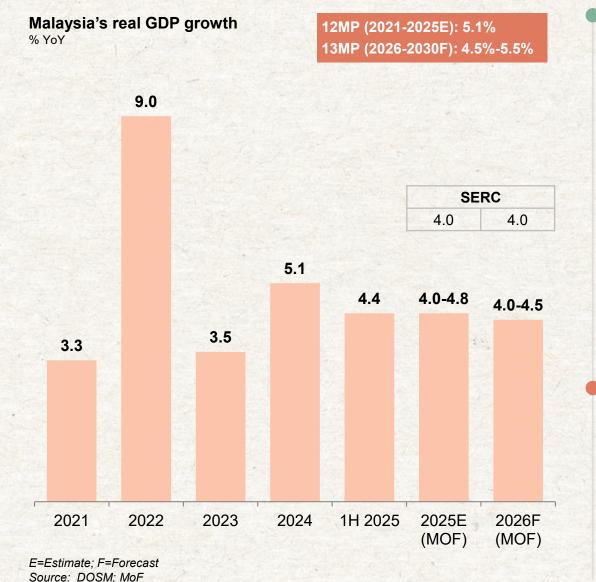
| Act  | Statutory Limit  | End-Jun 2025                      |  |
|--|--|-----------------------------------|--|
| Loan (Local) Act 1959 [Act 637] &<br>Government Funding Act 1983 [Act 275] | Outstanding MGS, MGII and MITB not exceeding 65% of GDP      | 63.5% of GDP<br>(RM1,279 billion) |  |
| External Loans Act 1963 [Act 403]  | Offshore borrowings not exceeding RM35 billion               | RM22.8 billion                    |  |
| Treasury Bills (Local) Act 1946 [Act 188]                                  | MTB not exceeding RM10 billion                               | RM2.0 billion                     |  |
| Public Finance and Fiscal Responsibility Act 2023 (Act 850)                | Overall debt should not exceed 60% of GDP in the medium term | 64.7% of GDP                      |  |

- Federal Government (FG)'s debt stood at RM1.3 trillion or 64.7% of GDP as at end-Jun 2025, marking an increase of 4.5% from end-2024. It remains above the statutory threshold (60% of GDP) under the Public Finance and Fiscal Responsibility Act 2023 (Act 850).
- With estimated net borrowings of RM77.2 billion in 2025, FG's total debt is projected to reach RM1.32 trillion or 65.7% of GDP by end-2025. Under the baseline scenario, the ratio is expected to stand at 65.8% in 2026, and gradually ease to 60% by 2030, in line with the target set under the Thirteenth Malaysia Plan (13MP).
- Combined the debt with other liabilities such as committed guarantees and other exposures, FG's debt and liabilities position stood at RM1.69 trillion or 84.1% of GDP as at end-June 2025, underscoring the importance of fiscal risk and liabilities management.
- Debt service charges (DSC) continue to limit "fiscal space", taking an increasing share of total revenue to 17.0% in 2026B from 16.3% in 2025, higher than the DSC limit of 15%. The Government must continue to maintain prudent spending to reduce the budget deficit as well as restrain new borrowings.

Source: BNM; MoF



### MoF projects slower economic growth 4.0%-4.5% in 2026



### 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

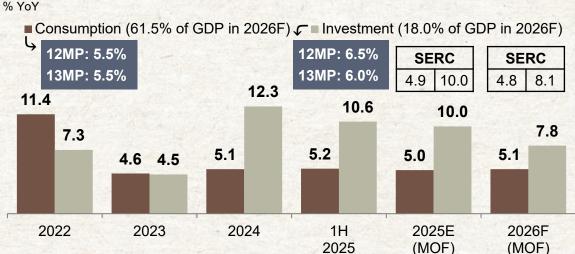
#### External

- 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





### **Public Consumption and Investment**



### Consumption

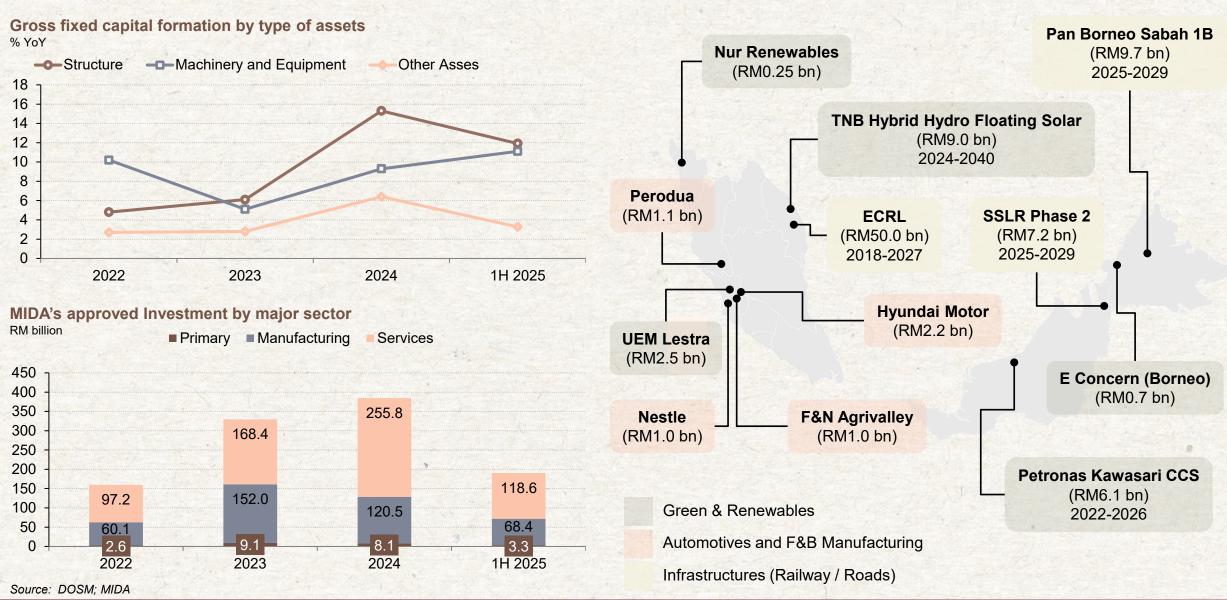
- Sustained income growth and favourable employment prospects
- Spillover effects from the implementation of Phase 2 of the SSPA, STR and the BUDI MADANI RON95 (BUDI95) targeted subsidy programme
- Higher tourism-related activities alongside major national and international events
- Increased spending on emoluments following salary adjustment under Phase 2 of the SSPA
- Continued delivery of essential public services

ublic

#### Investment

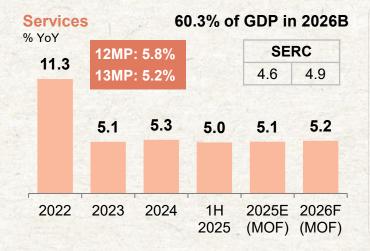
- Increased capital spending on structures and machinery & equipment in technologyintensive manufacturing and services sectors
- Investment in high-value and innovation-led activities
- Ongoing initiatives such as GEAR-uP and the rollout of national masterplans
- Increased capital spending by public corporations
- Key developments in strategic sectors, including utilities, energy and transportation
- Implementation of new peoplecentric projects aimed at improving public wellbeing

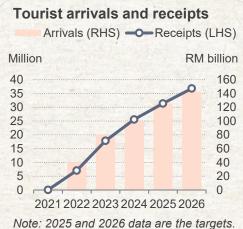
### Investment driven by ongoing multi-year projects

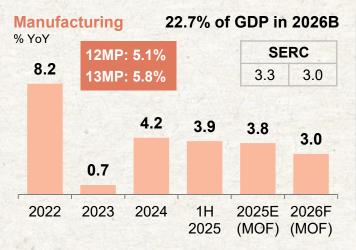


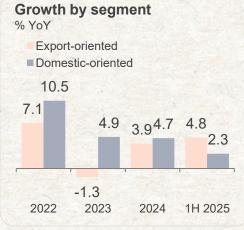
### Continued growth in key sectors in 2026

### Real GDP growth by sector (%, YoY)









#### Factors:

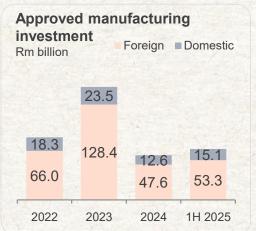
- · Increased tourism activities
- Expansion in rail, highway, port and airport activities
- Engineering-related services
- Expansion in artificial intelligence (AI) technologies, data centre and cloud computing capacities
- Numerous business and leisure events nationwide
- Malaysia Year of Medical Tourism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

Source: DOSM; MoF; MIDA



#### Factors:

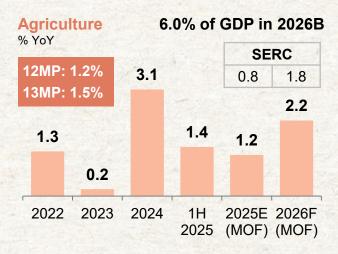
- Global technology upcycle; sustained growth across semiconductor products; robust demand for Al applications and digitalisation
- Higher domestic-oriented output attributed to stable investment and consumption activities
- Food and beverages segment supported by surge in visitor arrivals and rising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

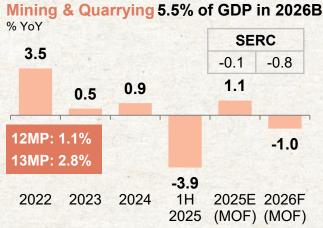


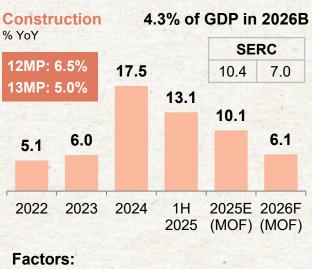
**Growth by segment** 

--- Residential

% YoY







### Non-residential -Civil engineering ----Specialised construction activities 25 20 15 10 5 2022 2023 2024 1H 2025

### 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 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

#### Factors:

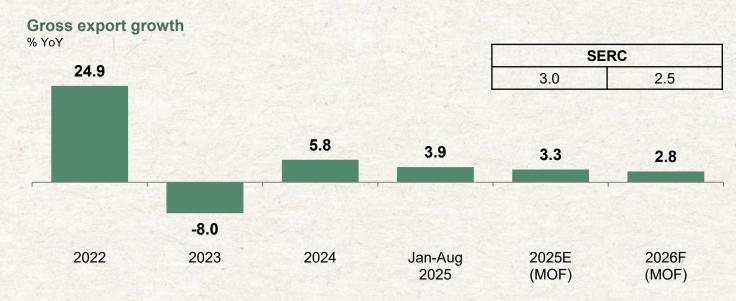
- production in Lower natural gas Peninsular Malaysia and Sabah as well as moderating demand from major importing countries: scheduled commencement of several new projects, including Rosmari & Marjoram in Sarawak as well as Irong Timur and Kurma Manis in Terengganu
- Lower crude oil and condensate output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

#### Factors:

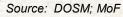
% YoY

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

### Exports prospect remains challenging due to global headwinds



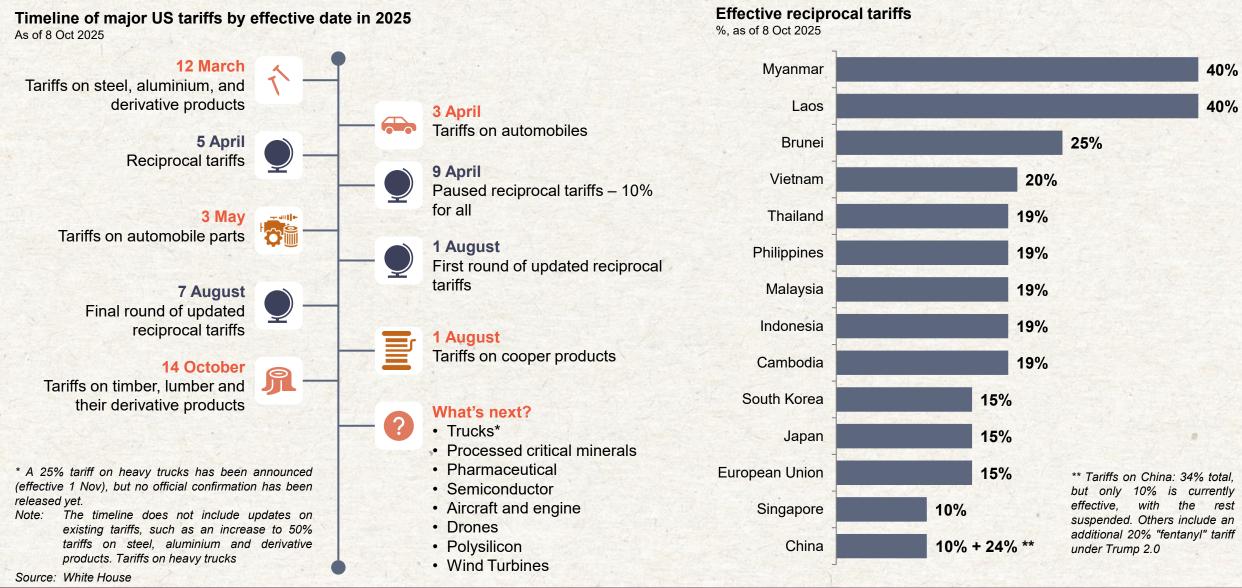
- · Global uncertainties, particularly the shifting trade policy will weigh on external demand
- Continued expansion of the electronics and electrical products sector, driven by higher demand for semiconductor and AI edge applications
- Stronger external demand from trade expansion following market and 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



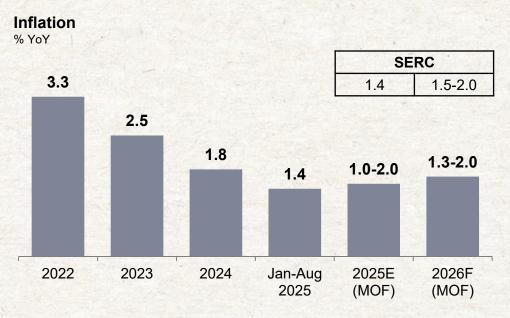




### The biggest risk in global supply chains

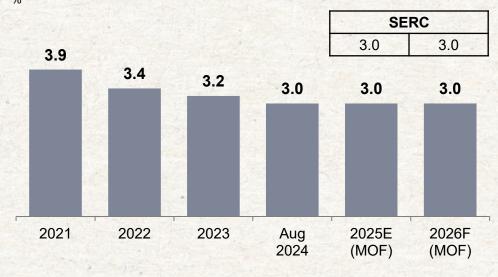


### Inflation to remain stable amid resilient labour market conditions



- 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

### SERC's Commentaries on 2026 Budget and Economy

#### Overview

- Malaysia stands at a pivotal juncture in a complex economic landscape shaped by continued domestic reforms and priorities as well as global uncertainties inflicted by the shifting trade policy, prolonged geopolitical conflicts and disruptive trends.
- Against this backdrop, the 2026 Budget is framed as a responsible Budget for sustaining economic resilience, accelerating transformation to mitigate the disruptive trends and empowering the people, aligning with the fundamental pillars of MADANI Economy Framework and the 13th Malaysia Plan (13MP), 2026-2030.
- The 2026 Budget, being the first budget to implement 13MP, has laid out strategies and initiatives to address immediate economic concerns for households (cost of living and wage growth) and businesses while continuing to unlock new sources of growth, shifting the industrial base towards technologydriven and innovative models, and integrating sustainable practices and green technologies.
- The measures, initiatives and development programs are wide-ranging, with the provision of targeted incentives, funds and soft loans for specific sectors. Amongst these focusing on cultivating downstream ecosystems to support high growth-high value (HGHV) sectors (such as semiconductor, green energy), prioritising technology adoption, innovation and AI, developing and securing supply chains capability, skills and training development, particularly for TVET, accelerating regional development through Johor-Singapore Special Economic Zone (JS-SEZ) and the development of Special Tourism Investment Zones (STIZ) in Johor, Melaka, Negeri Sembilan and Sarawak.

#### **2026 Budgetary Operations**

- The overall Budget stance remains mildly expansionary as the Government balances between fiscal sustainability and sustaining economic expansion. The fiscal deficit to GDP ratio has been progressively reducing from 6.4% in 2021 to the Budget's target of 3.5% (a deficit of RM74.6 billion) in 2026 (estimated 3.8% of GDP in 2025), marking the fifth consecutive year of reduction in deficit ratio. This fiscal deficit reduction path underscores its commitment to fiscal discipline and rules as stipulated by the Public Finance and Fiscal Responsibility Act 2023 (Act 850).
- Ministry of Finance (MoF) has made conservative revenue predictions to build in a buffer against uncertainty. Federal revenue is projected to increase by 2.7% to RM343.1 billion in 2026 (estimated +2.9% to RM334.1 billion in 2025). It is observed that petroleum-related revenue will be lower at RM43.0 billion (12.5% of total revenue) in 2026 vs. RM56.8 billion or 16.9% of total revenue in 2025 due to lower petroleum income tax and PETRONAS dividend (RM20.0 billion in 2026 vs. RM32.0 billion in 2025) amid lower crude oil prices forecast (USD60-USD65 per barrel vs. USD70 in 2025).
- Total expenditure allocation for 2026 Budget will amount to RM419.2 billion or 19.7% of GDP, an increase of 1.7% from estimated RM412.2 billion in 2025. Of the total, RM338.2 billion (80.7% of total expenditure) is for Operating Expenditure (OE), a small increase of 1.8% from RM332.2 billion in 2025. Development Expenditure (DE) is budgeted to increase marginally by 1.3% to RM81.0 billion (19.3% of total) in 2026 from a revised estimate of RM80.0 billion in 2025 from the original 2025 Budget allocation of RM86.0 billion. Compared to 2025 Budget, DE has declined by 5.8% or RM5.0 billion.

- The government's bold and courageous move, embarking on subsidies rationalisation, especially for fuel and price reforms in recent and two years ago, a politically unpopular move, has provided some fiscal space. After hitting a peak of RM71.9 billion in subsidies and social assistance in 2023, it has been declining for three successive years (2024-2026 Budget). It will decline by 14.1% or RM8.1 billion to RM49.0 billion in 2026 from RM57.1 billion in 2025 (RM67.4 billion in 2024). Total subsidies are budgeted at RM21.6 billion in 2026 (estimated RM28.7 billion in 2025, RM41.9 billion in 2024, RM49.2 billion in 2023 and RM55.4 billion in 2022).
- The Budget also allocates a total of RM15.0 billion (RM15.0 billion in 2025) for targeted social assistance (e.g. SARA, Penghargaan SARA, Sumbangan Tunai Rahmah (STR)), to provide immediate cost-of-living relief support for households. It will help to sustain consumer spending for essential goods and services.
- While cash transfers are effective short-term solutions, there has been concern about its fiscal sustainability, like subsidies, and hence, there is increasing debate about making these programs more conditional to target specific outcomes like improved health and education.
- As 2026 marks the first year of the 13MP (2026-2030), the RM81.0 billion DE allocation is for the implementation of approximately 2,300 newly approved programmes and projects. These are transportation, infrastructure, flood mitigation, environmental, trade and industry, such as industrial park and tourism special investment zones, education and training, as well as affordable public housing development.

- Carefully selected projects are important to optimise resource allocation, aligning with delivery of outcomes, increasing the likelihood of success, and ultimately leading to better economic multiplier impact as public investment contributed an average of 4.7% of total GDP in the 2022-2026 Budget.
- It is critical for the Government to proactively manage its debt and liabilities in ensuring adequate fiscal space and strengthening resilience against external shocks. Debt service charges (DSC) continue to limit "fiscal space", taking an increasing share of total revenue to 17.0% in 2026B from 16.3% in 2025, higher than the DSC limit of 15%. The Government must continue to maintain prudent spending to reduce budget deficit as well as restrain new borrowings.
- The Federal Government (FG)'s debt stood at RM1.3 trillion or 64.7% of GDP as at end-Jun 2025 (End-2024: RM1.25 trillion or 64.6% of GDP). It remains above the statutory threshold (60% of GDP) under the Public Finance and Fiscal Responsibility Act 2023 (Act 850). With estimated net borrowings of RM77.2 billion in 2025, FG's total debt is projected to reach RM1.32 trillion or 65.7% of GDP at end-2025. Under the baseline scenario, the ratio is expected to stand at 65.8% in 2026, and gradually ease to 60% by 2030, in line with the target set under 13MP.
- The combined debt and liabilities exposure stood at RM1.69 trillion or 84.1% of GDP as at end-June 2025, underscoring the importance of proactive fiscal risk and liabilities management.

- To achieve this, the Government must either decrease total debt or increase GDP, or both. Decreasing debt involves strategies like prudent spending, revenue enhancement through tax reforms and broadening the tax base to improve primary budget balance, zero-based budgeting for efficiency, and proactive long-term financial forecasting to ensure a stable debt-to-GDP ratio. Stimulating GDP growth by at least nominal growth of 6.0% annually by implementing policies that encourage investment, innovation, and productivity, and which will then be repaid from the higher economic growth dividend.
- Overall, after taking into account the tax changes proposed in Budget 2026, the federal government's revenue is expected to decrease by RM791.6 million to RM342.3 billion, mainly due to a RM1.2 billion shortfall in income tax, partly offset by a RM356.0 million increase in excise duty.

#### **Economic Outlook**

• We concur with MoF's cautious assessment of the economic growth outlook for 2026 on continued weak exports, while domestic demand will continue anchoring domestic growth. Real GDP is forecasted to increase at a slower pace between 4.0% and 4.5% (point estimate at 4.1%) compared to the estimated 4.0%-4.8% (point estimate at 4.5%) in 2025. Our estimates are 4.0% for 2025 and 2026, respectively.

- Consumer spending (61.5% of GDP in 2026) is largely holding up so far (MoF's estimate of 5.0% in 2025 and 5.1% in 2026 vs. SERC's 4.9% in 2025 and 4.8% in 2026), underpinned by strong labour market conditions (unemployment rate: 3.0% in 2025; 3.0% in 2026), continued income growth (wage growth of 3.4% in 2Q 2025, continued cash assistance (RM15.0 billion), second phase of SSPA implementation, which includes 7% salary increment for civil servants in Grade 15 and below and higher tourists spending during the 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).
- Amid investors' cautious investment approach on the back of global uncertainties, the upturn in private investment (18% of total GDP in 2026) will continue, supported by increased capital spending on structures and machinery and equipment in technology-intensive manufacturing and services sectors. High levels of approved investment in the manufacturing, services, and primary sectors, averaging RM291.3 billion per year in 2022-2024, and RM190.3 billion in 1H 2025, will sustain investment activities in the years ahead. The realisation rate of approved manufacturing projects was 85.1% in 2021- June 2025. MoF expects private investment to increase by 10.0% in 2025 and 7.8% in 2026 (SERC's estimates at 10.0% in 2025 and 8.1% in 2026).

- Major economic sectors are expected to grow in 2026, with the services sector, being the largest share of GDP at 60.3% will sustain at 5.2% growth (5.1% in 2025) on increased tourism activities, expansion in the land, air and water transportation as well as technologies related services. This will be followed by the construction sector (6.1% in 2026 vs. 10.1% in 2025), and manufacturing (3.0% in 2026 vs. 3.8% in 2025).
- Exports are a major uncertainty for 2026 because of weakening global demand, ongoing tariff uncertainties, and geopolitical tensions that could further impact trade dynamics. MoF projects exports to slow to 2.8% in 2026 from estimated 3.3% in 2025 (SERC's 3.0% in 2025 and 2.5% in 2026).
- Slower global economic growth and performance of our major trading partners like China and the US can weigh on our exports, exerting negative spillover on domestic economic growth. Reduced foreign demand or increased trade barriers cause a slowdown in exports, which then negatively impacts domestic consumption, investment, and overall economic activity.
- Malaysia's exports vulnerability to the US remains high due to the tariffs impact, especially for the electronics and electrical products. A 1% drop in the US GDP growth could cause about 1.0 percentage points reduction in Malaysia's GDP growth. A 1% decline in China's GDP growth could potentially shave 0.5 percentage point off Malaysia's economic growth.

#### **Inflation and Monetary Policy**

• With the headline inflation expected to remain manageable at 1.3%-2.0% in 2026 vs. 1.0%-2.0% in 2025 (SERC's 1.4% in 2025 and 1.5%-2.0% in 2026), we expect Bank Negara Malaysia to keep the overnight policy rate at 2.75% for now. If the economy slows below the government-set "tolerable" level of 4.0%, a rate cut would be considered. Hence, BNM will continue to determine the appropriate monetary policy stance in 2026 by following a data-dependent and meeting-to-meeting approach.





Part 22026 Budget: Measures & Initiatives

### **#1 Sustaining Consumption and Cost of Living**

#### **KEY MEASURES**

- RM15bn for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA)
  - 9 million recipients of STR will also receive SARA up to RM100 monthly or RM1,200 annually
  - 1 million STR recipients under e-Kasih will receive SARA up to RM200, or RM2,400 monthly
  - o Singles category receives RM600 or RM50 monthly through SARA
  - o Another one-off RM100 SARA for 22 million Malaysian adults
- RM3.1bn allocated to benefit over 560,000 Jabatan Kebajikan Masyarakat recipients
- RM1bn allocated to address cost of living issues, of which RM600m goes to expanding the Payung Rahmah Programme in all Dewan Undangan Negeri (DUN) areas Malaysia-wide
- The implementation of phase 2 of Public Service Remuneration System (SSPA) with a 7% salary increase for lower-grade civil servants
- Bantuan Khas Kewangan of RM500 to all civil servants' grades 15 and below, including contract appointments. A Bantuan Khas Kewangan of RM250 will also be given to all government pensioners, including pensioned and nonpensioned veterans

#### Individual income tax relief:

- Individual income tax relief of RM3,000 on fees paid to registered childcare centres or kindergartens for children up to six years of age will be expanded to include fees for registered daycare centres or transit centres for children up to 12 years of age
- Individual income tax relief of RM1,000 on qualifying vaccination expenses for self, spouse or child will be expanded to cover all vaccines registered with and approved by the Ministry of Health
- Individual income tax relief of up to RM3,000 on life insurance premium payments or takaful contributions for self and spouse will be expanded to include children
- Individual income tax relief on expenses incurred for screening and detection, early intervention programs and ongoing rehabilitation treatment for children with disabilities aged 18 and below will be increased from RM6,000 to RM10,000
- Individual income tax relief of RM2,500 will be expanded to include the purchase of household food waste grinders and closed-circuit television (CCTV) for home use. The tax relief can be claimed once in either YA 2026 or YA 2027
- A special RM1,000 tax relief for expenses relating to entrance fees to local tourism attractions and cultural programs will be given in conjunction with Visit Malaysia 2026.

### **#1 Sustaining Consumption and Cost of Living**

### COMMENTARY

- These measures, such as salary increases for civil servants and sustained cash assistance, will increase the disposable income of low- and middleincome households, which is expected to alleviate cost-of-living pressures and stimulate consumer spending.
- Taking into account the 2026 salary increase, with an addition of RM18bn, along with the provision of monthly STR and SARA assistance, the overall impact is expected to add about 0.6% percentage points to total GDP.
- While the financial assistance may temporarily ease the burden of living expenses, they are a short-term fix rather than a sustainable solution. Sustainable solutions require improvement in skillset and productivity to increase employability in better income jobs, enhancing targeted aid for vulnerable groups, and implementing policies that tie income growth to productivity. Over-reliance on cash handouts not only can strain government finances but also creates a "dependency syndrome" where individuals may become less motivated to improve their income condition.
- A sustained improvement in income and wage growth can help to ease the rising cost of living. The co-sharing wage support incentive under Progressive Wage Policy, which is expected to benefit 50,000 employees by 2025, showed low uptake. As of 31 July 2025, only 877 employers have raised wages for 10,259 employees (20.5% of the target), raising concerns about its effectiveness and awareness.



### **#1 Sustaining Consumption and Cost of Living (cont.)**

### Past financial aid assistance

| Budget     | Scheme                                 | Announced<br>allocation<br>(RM billion) | Announced<br>recipient<br>(mil person) |  |
|------------|--|---|--|--|
| 2020       | BSH                                    | 5                                       | 5                                      |  |
| 2020 (Mar) | BPN                                    | 10                                      | 8.5                                    |  |
| 2021       | BPR                                    | 6.5                                     | 8.1                                    |  |
| 2021 (May) | PEMERKASA+                             | 2.1                                     | 8.1                                    |  |
| 2021 (Aug) | PEMULIH                                | 4.5                                     | 11                                     |  |
| 2022       | BKM                                    | 8.2                                     | 9.6                                    |  |
| 2023       | STR                                    | 8                                       | 9                                      |  |
| 2024       | STR                                    | 10                                      | 9                                      |  |
| 2025       | STR + SARA                             | 13                                      | 9                                      |  |
| 2025       | Penghargaan<br>SARA                    | 2                                       | 22                                     |  |
| 2026       | 2026 STR + SARA  2026 Penghargaan SARA |   | 9                                      |  |
| 2026       |  |   | 22                                     |  |

### STR cash aid partially redirected to SARA for essential spending

| Recipient category                             | Monthly income      | No. of children | STR<br>2025<br>(RM) | SARA<br>2025<br>(RM)* | Total<br>2025<br>(RM) | STR<br>2026<br>(RM) | SARA<br>2026<br>(RM) | Total<br>2026<br>(RM) | Net<br>change<br>(RM) |
|--|---------------------|-----------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------|
|  | 0                   | 1,000           | 900                 | 1,900                 | 700                   | 1,200               | 1,900                | 0                     |                       |
|  | RM2,500             | 1-2             | 1,500               | 900                   | 2,400                 | 1,200               | 1,200                | 2,400                 | 0                     |
|  | or lower            | 3-4             | 2,000               | 900                   | 2,900                 | 1,700               | 1,200                | 2,900                 | 0                     |
|  |                     | ≥5              | 2,500               | 900                   | 3,400                 | 2,200               | 1,200                | 3,400                 | 0                     |
| Household RM2,501-                             | 0                   | 500             | 900                 | 1,400                 | 200                   | 1,200               | 1,400                | 0                     |                       |
|  | 1-2                 | 750             | 900                 | 1,650                 | 450                   | 1,200               | 1,650                | 0                     |                       |
|  | RM5,000             | 3-4             | 1,000               | 900                   | 1,900                 | 700                 | 1,200                | 1,900                 | 0                     |
|  |                     | ≥5              | 1,250               | 900                   | 2,150                 | 950                 | 1,200                | 2,150                 | 0                     |
| Single<br>senior<br>citizen (≥60<br>years old) | RM5,000<br>or lower | 0               | 600                 | 450                   | 1,050                 | 600                 | 600                  | 1,200                 | +150                  |
| Single<br>(21-59 years<br>old)                 | RM2,500<br>or lower | 0               | 600                 | -                     | 600                   | -                   | 600                  | 600                   | 0                     |

<sup>\*</sup> Entitled for Apr-Dec 2025 (9 months) only Note: This tables excludes the additional SARA under e-Kasih. Entitled for 9 months

Entitled for 12 months

Household **Ψ** RM300 Single (21-59 years old) ♥ RM600

Redirect



### **#2 Managing Rising Business Costs**

#### **KEY MEASURES**

- Full implementation of e-Invoicing starting 2026 and the self-assessment system for stamp duty
- Additional 50% tax deduction for SMEs on expenditure for AI and cybersecurity-related training
- Extension of tax incentive for employing senior citizens
- RM60m to facilitate MSMEs to export Malaysian products and services:
   RM50m for Market Development Grant; RM10m for Malaysia Go Global
- 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
- The salary threshold for employment contracts exempted from stamp duty will be raised to RM3,000 per month starting 1 January 2026

#### COMMENTARY

- Businesses are grappling with rising operational costs on multiple fronts, including higher minimum wage implemented in February, 2% employers' EPF contribution for non-citizen workers effective from October payroll, port tariff hikes in July, the expansion in sales tax and service tax, especially rental fees, the fuel subsidy rationalisation, a full implementation of e-invoicing by 2026, and the anticipated multi-tiered foreign worker levy in 2026.
- While the fourth phase of e-invoicing implementation (revenue above RM1 million until RM5m) will take effect on 1 January 2026 and the final phase (revenue up to RM1m) on 1 July 2026, we welcome the shortened claiming period for ACA on ICT equipment, computer software, relevant consultation services, and machinery from local manufacturers to two years. This measure supports the nationwide rollout of e-invoicing for SMEs in 2026, easing their transition to digital compliance and encouraging greater investment in digital infrastructure. The shorter ACA period for locally sourced machinery can also improve businesses' cash flow and liquidity, enabling them to reinvest or better manage working capital. Nonetheless, as some machineries may not be available locally, consideration should be given to ACA claims for machinery sourced from overseas.
- Besides, the tax deduction for expenses on renovation and refurbishment for business premises offered to the tourism sector can be considered to expand to all commercial sectors.

### **#2 Managing Rising Business Costs (cont.)**

### COMMENTARY

- The increase in the monthly salary threshold for stamp duty exemption on employment contracts from RM300 to RM3,000 is a positive step. However, it remains administratively burdensome for employers. According to the Employee Wages Statistics (Formal Sector) report, as of Q1 2025, slightly more than half (50.7%) of employees earned at least RM3,000. This means that over half of total workforce will still require stamping during recruitment, limiting the practical benefits of this measure for both employers and employees. We propose to increase the threshold of salary exemption to RM10,000 as to meaningfully reduce administrative burdens and better support employers in the recruitment process.
- In the Economic Outlook 2026 report, it was reported that the Government may explore a compulsory structured annual wage increment aligned with inflation and productivity trends, and a leap jump in wages meet the 45% labour income share target by 2033. Businesses will be deeply concerned about the potential impact and pace of such adjustments as the wage increases must commensurate with the improvement in productivity. We continue to advocate for a regional minimum wage framework, citing that higher minimum wages pose a heavier burden on less-developed states, whereas businesses in more developed regions can generally afford to offer slightly higher pay to retain workers.



### **#3 Empowering Businesses through Financing**

#### **KEY MEASURES**

- RM50bn Government's loan and guarantee facilities
  - RM30bn Government Guarantee Scheme through Syarikat Jaminan Pembiayaan Perniagaan (SJPP), which expanded to cover microenterprises
  - o RM2.7bn microfinancing facilities by BSN and TEKUN
  - RM4.5bn financing facilities by Bank Pembangunan Malaysia Berhad (BPMB)
  - RM505m financing facilities by Export-Import Bank of Malaysia Berhad (EXIM Bank)
  - Nearly RM2bn financing facilities by Small Medium Enterprise Development Bank Malaysia (SME Bank)
  - BNM funds worth RM3bn will transition towards guarantee-based support, focusing on underserved segments and high-impact activities such as digitalisation, automation, innovation and green transition
- RM1bn Green Technology Financing Scheme (GTFS 5.0) without profit rate subsidy
- RM500m in loans to support high-value-added activities under the National Semiconductor Strategy (NSS)
- RM20m financing facility for local SMEs to expand their operations into overseas markets through SME Corp

### **COMMENTARY**

- The Government has increased financing facilities and guarantee schemes in 2026 to a total of RM50bn, representing a 12.5% increase from RM40bn in 2025. The main increase comes from the higher guarantee scheme by Syarikat Jaminan Pembiayaan Perniagaan (SJPP), raised to RM30bn, covering key focus segments such as high technology and semiconductors (RM5bn), mid-tier companies (RM5bn), halal industry (RM2bn), and the tourism sector (RM2bn).
- The expansion of the scheme to include microfinancing reflects inclusiveness of broadening access to funding for smaller enterprises, although the actual impact on micro businesses will depend on the implementation and uptake at the ground level.
- We propose to establish a consolidated unit to monitor and oversee the
  utilisation of all financing facilities and guarantee schemes. This unit should
  track total available funds, approval rates, and disbursement progress, with
  publishing the data periodically. Transparency on these metrics, including the
  challenges faced in fully utilising the funds, would help ensure that the
  financing measures achieve their intended impact and enable timely
  adjustments to improve accessibility and effectiveness.



Socio-Economic Research Centre

### **#4 Catalysing Quality Investment**

#### **KEY MEASURES**

- Introduce ASEAN Business Entity (ABE) Status to facilitate skilled talent and offer a more proactive Investor Pass to multinational companies and potential investors in key sectors such as E&E
- Continue Residence Pass-Talent Fast Track and include waiving the threeyear Employment Pass requirement
- New Outcome-Based Incentive Framework under the New Industrial Master Plan (NIMP) in 1Q 2026
- RM200m for Strategic Co-Investment Fund and RM180m for NIMP Industrial Development Fund
- RM30bn domestic investment from GLICs through the GEAR-uP
- RM1.2bn Dana Pemacu (Catalyst Fund)
- RM250m for Khazanah Mid-Tier Company Program
- RM550m investment by Khazanah and KWAP in the semiconductor
- RM500m in loans to support high-value-added activities under the National Semiconductor Strategy (NSS)
- RM10m for rare earth resource mapping to prioritise downstream development via international joint ventures
- Extend the tax deduction for companies investing in subsidiary companies that commercialise non-resource-based R&D for 5 years
- Allow a fully Accelerated Capital Allowance (ACA) claim on Capital Expenditure for Plant, Machinery, and ICT Equipment within two years

#### COMMENTARY

- The measures continue to prioritise high growth-high-value industries and attract quality foreign investment, particularly within the electrical product and electronics (E&E) sector - a key pillar under the New Industrial Master Plan (NIMP) 2030. The introduction of the Outcome-Based Incentive Framework is a commendable step toward improving accountability and ensuring that fiscal incentives deliver measurable economic spillovers such as jobs creation, technology transfers, and productivity gains.
- However, the framework also raises concerns among local SMEs, as the
  focus on large-scale or high-impact investments could further tilt incentives
  toward foreign investors, widening the FDI vs. Domestic Direct Investment
  (DDI) gap. To sustain a balanced and inclusive investment ecosystem, greater
  attention should also be given to enhancing local reinvestment capacity,
  particularly for SMEs seeking to scale or upgrade production as well as build
  and integrate into supply chains.
- While the proposed shortened claiming period for ACA is commendable, it is disappointing that no enhancements were made to the Reinvestment Allowance (RA) and Investment Tax Allowance (ITA), both of which are vital tools for encouraging continuous capital investment and technological upgrading among local firms. Additionally, Malaysia's corporate tax rate of 24% remains relatively uncompetitive compared to regional peers such as Singapore (17%), Vietnam (20%), Thailand (20%), and Indonesia (22%), which may deter both domestic reinvestment and foreign direct investment over time.

Socio-Economic Research Centre

### **#5 ESG and Sustainability**

#### **KEY MEASURES**

- RM10m to continue rare earth resource mapping activities
- RM6bn in private investment to drive a large-scale solar project with nearly 2 gigawatts of capacity under LSS6
- RM1bn under Green Technology Financing Scheme (GTFS 5.0) is available until 31 December 2026, with government guarantees of up to 80% for green waste technologies and 60% for other sectors
- Carbon tax will be introduced next year for the iron, steel, and energy sectors first; it will align with the tabling of National Carbon Market Policy and Climate Change Bill
- RM2,500 extension of individual income tax relief to include the purchase of food waste shredders
- RM20m to continue providing rebate to consumers and businesses that purchases energy-efficient equipment
- RM250m under the Ecological Fiscal Transfer (EFT) to support state conservation efforts; RM50m channelled directly as revenue to State Governments
- RM300m to clean, maintain and restore ricers, including RM10m for the National River Trail to develop recreational paths and foster community stewardship

#### **COMMENTARY**

- Coinciding with the 13MP, Malaysia is entering the third phase of its SDG Roadmap 2026–2030, focusing on aligning economic growth with social equity and environmental sustainability. This phase aims to accelerate progress on key targets like climate action, clean energy, and inclusive development, embedding SDG principles across national policies and partnerships.
- While a carbon tax is slated for 2026, targeting the iron, steel, and energy sectors, there are currently no clear, detailed implementation guidelines. A similar announcement was made in Budget 2025 and 2026, but did not offer a concrete mechanism, aligning with the National Carbon Market Policy and Climate Change Bill. With the EU's Carbon Border Adjustment Mechanism also taking effect, exporters face potential trade burdens, making timely, detailed measures crucial to ensure the tax drives emissions reductions without disrupting business. The initial carbon tax rate must be set at a nominal level, designed to support industry adaptation rather than to serve as a government revenue objective, similar to Singapore's approach, where early carbon tax rates were deliberately kept low to allow companies time to adjust.
- This raises urgent questions about the timeline for tabling the Climate Change Bill, which the government indicated that it will underpin the carbon tax. Stakeholders remained concerned over the lack of clarity on enforcement, compliance, and regulatory mechanisms, leaving businesses uncertain about how to transition to low-carbon operations.

### **#6 TVET Empowerment and Talent Development**

#### **KEY MEASURES**

- Propose to draft the TVET Bill to strengthen the TVET ecosystem
- RM7.9bn for overall TVET programs
- RM45m for National TVET Council, including integration of digital technology and AI training
- RM1.3bn for MOE TVET institutions and RM66.2bn for MOE
- RM3 bn for HRD Corp to provide 3 million training opportunities in the hightech sector, digital and energy transition
- RM650m from Perbadanan Tabung Pembangunan Kemahiran (PTPK) to focus on AI, EV and semiconductors
- RM34m for Academy in Industry Programme to train locals and reduce dependency on low-skilled foreign labour
- Expand Lifelong Learning Programmes under Community Colleges
- Increase programs for talent development, upskilling, and premium-wage career placements under Johor Talent Development Council
- Waive PTPTN loan repayments for all students from low- and middle-income families who obtain a First-Class Honours Bachelor's Degree at Public Higher Education Institutions (IPTA).
- RM15m for programs to cultivate science, technology and creativity
- Double tax deduction for companies providing scholarships to be expanded to include qualified professional certification courses

#### COMMENTARY

- Prioritising TVET development, with greater emphasis on digital technology and Al integration to strengthen talent quality and meet evolving industry needs, is vital. Education and training remain one of the largest expenditure components, accounting for 21.2% of total spending or 4.2% of GDP in 2026.
- According to the Graduate Tracer Study 2024, most TVET graduates (excluding MTUN institutions) specialise in engineering, manufacturing, and construction (64.1%), primarily employed in the private sector (70%) as semiskilled (45.6%) or skilled (46.4%) workers. Yet, 71.5% are in the services sector, with most earning between RM1,000-RM3,000 per month, reflecting wage compression and limited career mobility.
- Khazanah Research Institute's research findings highlighted a persistent vertical skills mismatch, whereby many TVET graduates are overqualified for their current jobs. While TVET pathways facilitate faster job placement, longterm trajectories remain less favourable compared to degree holders, due to stagnant wages and weak career progression.
- Additionally, the findings also suggested that while TVET focuses on developing practical skills, several challenges persist in sustaining graduates' development and improving their employment outcomes. TVET graduates tend to participate less in the government's upskilling or reskilling programmes, possibly due to their higher post-graduation employment rates or the already skill-oriented nature of their training.

### #6 TVET Empowerment and Talent Development (cont.)

### COMMENTARY

- However, given that many TVET-related occupations, such as technicians, require continuous certification for career progression, this limited participation may hinder long-term growth.
- The Budget's focus on high-value sector training is a welcome step that may create spillover benefits for TVET students, but the broader goal should be to foster a culture of lifelong learning. Talent empowerment should not only target new entrants but also upskill the existing workforce through flexible, accessible learning pathways.
- Importantly, while discussions around a TVET minimum wage have surfaced, such a measure could prove counterproductive. Setting a wage floor without addressing the underlying skills-job mismatch risks forcing employers to pay high-skilled wages for low-skilled roles, distorting market signals and discouraging genuine productivity growth.
- To build a resilient and future-ready workforce, Malaysia should develop a
  centralised lifelong learning platform, akin to Singapore's SkillsFuture, that
  consolidates training resources and supports continuous upskilling across all
  employment levels. A well-integrated ecosystem would align skills
  development, job quality, and wage growth, advancing the nation's human
  capital beyond short-term fiscal incentives.

## Monthly Income Trends of TVET Graduates at Certificate Level 2024 (% of total)

|                   | Degree | Diploma | Certificate |
|-------------------|--------|---------|-------------|
| RM1,000 and below | 0.6    | 6.9     | 15.5        |
| RM1,001 - RM2,000 | 17.2   | 62.5    | 65.1        |
| RM2,001 - RM3,000 | 56.7   | 25.5    | 15.5        |
| RM3,001 and above | 25.5   | 5.1     | 3.8         |

Source: MOE

### **#7 AI, Digitalisation and Automation**

#### **KEY MEASURES**

- RM5.8bn of cross-ministerial allocation for RDCI activities
- RM18m for National Al Office (NAIO) to develop high-skilled talent, strengthen digital infrastructure, and create an efficient Al ecosystem
- Additional 50% tax deduction for MSMEs for expenses related to AI training costs that are recognised by the MyMahir National AI Council for Industry (NAICI) in 2 years
- RM2bn investment in Sovereign Al Cloud and establish Al Transformation
   Centre to serve as a culturally sensitive R&D and Al centre
- RM53m Malaysia Digital Acceleration Grant for technological adoption, such as blockchain, AI, and quantum computing
- RM53m for Malaysia Digital Acceleration grant (MDAG)
- RM20m Malaysia Science Endowment (MSE) Trust Fund to drive R&D activities in science and technology
- RM30m financing for Technology Accelerator and Commercialisation Scheme (TACT) for innovative and technology-based start-up companies
- RM400m financing for SME Technology Transformation Fund
- Extend tax incentives for automation in agriculture to include rearing chickens using the closed-house system
- Allow a fully Accelerated Capital Allowance (ACA) claim on Capital Expenditure for Plant, Machinery, and ICT Equipment within two years

### **COMMENTARY**

- According to the ACCCIM Malaysia's Business and Economic Conditions Survey (MBECS) 1H 2025, 44% of respondents identified AI and digital infrastructure as top investment priorities, reflecting growing business confidence in technology adoption. The Budget 2026 marks a significant milestone, featuring one of the most extensive sets of AI and digitalisationrelated initiatives to date, which is a commendable direction in strengthening Malaysia's digital economy.
- However, Malaysia's level of Al adoption remains nascent. Findings from the 2025 Malaysia Artificial Intelligence Research Report indicate that 84% of enterprises remain in the "exploration stage", with actual usage rates below 20%. This suggests that while interest is high, implementation capacity and readiness remain limited, particularly among MSMEs.
- The introduction of an additional 50% tax deduction for MSMEs undertaking Al training is a positive step to encourage awareness and capability-building. Similarly, the launch of Intelek Luhur Malaysia Untukmu, Malaysia's first national Al language model, signals a strategic intent to localise Al development. Yet, accessibility remains key. The government should ensure that MSMEs, start-ups, and research institutions can utilise and co-develop with such models to foster inclusive Al innovation.
- Moreover, the Accelerated Capital Allowance (ACA) enhancement, shortening the claim period from 4–6 years to 2 years, is a timely move to improve business cash flow and incentivise digital investments.



# **#8 Infrastructure Development and Property Sector**

#### **KEY MEASURES**

#### Major infrastructure development

- RM48bn for highway infrastructure projects in Sabah and Sarawak
- RM4.1bn for the Electrified Double Track Railway in the Klang Valley Phase 2
- RM2.5bn for the maintenance of Federal Roads and RM5.6bn in MARRIS
- RM2.2bn for 43 high-priority Flood Mitigation Plan (RTB) projects
- RM2bn for MADANI Submarine Cable Connection (SALAM)
- RM1.67bn on Sabah Pan Borneo

#### Home

- RM672m for People's Residential Program (PRR) and Mesra Rakyat Housing Scheme (RMR)
- RM20bn for SJKP (Syarikat Jaminan Kredit Perumahan) to benefit 80,000 first home buyers
- Extend the full stamp duty exemption for two years on instruments of transfer and loan agreements for the first home valued up to RM500,000
- Impose a flat stamp duty rate of 8% on the instruments of transfer for residential properties by non-citizen individuals and foreign companies, with the exception of individuals who are permanent residents in Malaysia
- Up to RM10m of special tax deduction for 10% of the eligible expenditure on renovation and conversion of commercial buildings into residential premises

- Recent tremors in Peninsular Malaysia have renewed concerns over building safety and structural resilience. While most high-rise buildings constructed since 2016 follow updated seismic standards, reportedly designed to withstand earthquakes up to 7.0 on the Richter scale, many older buildings predate these provisions and remain vulnerable.
- This is especially worrying as the government has identified 534 potential urban redevelopment areas under the proposed Urban Renewal Act (URA), many of which involve aged residential and commercial structures. Issues such as deteriorating wiring, poor maintenance, and fire risks highlight the urgent need to retrofit or redevelop unsafe buildings in a socially responsible manner.
- The proposed URA is timely towards rejuvenating Malaysia's ageing urban fabric, aligning with sustainability and safety goals. However, it has drawn public criticism over unclear consent thresholds, property rights concerns, and gentrification risks that could displace low-income residents.
- For successful implementation, the URA must balance redevelopment efficiency with social safeguards. This entails transparent engagement with residents, fair and consistent compensation mechanisms, and clear rules governing consent and land acquisition. Most importantly, the government should institutionalise a "one-for-one replacement" policy to ensure affected low-cost housing residents receive equivalent new units, preventing displacement and preserving community stability.

# **#9 Exports Market Expansion**

#### **KEY MEASURES**

- 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
- RM60m to facilitate MSMEs to export Malaysian products and services: RM50m for Market Development Grant (MDG); RM10m for Malaysia Go Global
- RM500m soft loans by the EXIM Bank to assist companies affected by global trade tariff tensions
- RM10m for Program Jaringan Strategik Ekonomi, Perdagangan dan Pelaburan implemented primarily in new high-potential markets
- RM5m Trade Credit Protection Takaful Scheme under EXIM Bank as an incentive for first year takaful contribution payment
- RM5m for improvements to accelerate the issuance of halal certificates by JAKIM

- The external sector remains challenging given the continued global uncertainties and higher tariffs imposed by the US. During the period Jan–Aug 2025, exports grew by 3.9% yoy, slower than 5.8% in 2024. MoF projects export growth of 3.3% for 2025 (vs. SERC's 3.0%), implying a likely moderation in the remaining months of the year. Both the direct and indirect impacts of the US tariff policy are expected to spill over into 2026, consistent with MoF's projection of 2.8% next year (vs. SERC's 2.5%).
- Following the proposed higher allocation of MDG to RM50 million from RM40 million in 2025 amid rising marketing expenses, it is hoped that MATRADE can consider to increase the lifetime cap of the MDG to RM500,000 from RM300,000, 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.
- To further incentivise exports, a measure similar to the Budget 2017 could be considered, where companies receive a reduction in income tax rates based on the percentage increase in export revenue compared to the previous year. This would directly reward growth in international sales and encourage Malaysian businesses to expand their presence in global markets.
- The government could consider measures to accelerate the strengthening of trade and supply chains integration among ASEAN countries, providing Malaysian businesses with greater resilience against global trade uncertainties, particularly the US tariffs.

# **#10 Boosting Tourism**

#### **KEY MEASURES**

- RM705m to stimulate the tourism sector:
  - o RM500m to ensure the success of Visit Malaysia 2026
  - RM60m to support the promotion, marketing and organisation of tourism events and cultural activities
  - RM50m in matching grants will boost international and charter flights, with MAHB attracting 10 airlines including British Airways, Hong Kong Express, and Jiangxi Air
  - RM20m to boost health tourism programmes by the Malaysia Healthcare Travel Council
- RM1,000 of special individual income tax relief will be given for expenses on entrance fees to local tourist attractions and cultural programmes
- · 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

- The upcoming Visit Malaysia 2026 (VM2026) aims to attract 47m visitors or 35.6m tourists, with RM329bn total receipts or 15.5% of total GDP (RM147bn 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 million visitors and 31.3 million tourists target in 2025.
- Malaysia, as ASEAN Chair this year, has created more opportunities to generate footfalls into Malaysia through its series of events that foster economic collaboration, innovation and regional integration, like the upcoming SMEs Venture ASEAN 2025; ASEAN Business & Investment Summit (ABIS) 2025 and many more. These initiatives are expected to enhance Malaysia's global profile, strengthen its image as a dynamic regional hub, and boost tourism in 2026.
- The Ministry has rolled out targeted tax incentives to strengthen the tourism sector ahead of Visit Malaysia 2026. Designed to attract domestic and foreign investment, these measures aim to increase tourist arrivals, promote tourism-related businesses, generate employment, and extend economic benefits to local communities and small entrepreneurs. Coupled with marketing campaigns and infrastructure improvements, the incentives support the sector's ambitious revenue target of RM329 billion while positioning Malaysia as a leading destination in Southeast Asia.

# **#11 Advancing Agriculture for Food Security**

#### **KEY MEASURES**

- RM1.28bn cost for the Jeniang Water Transfer Project to begin implementation next year
- RM1.1bn in financing by Agrobank for entrepreneurs to expand businesses and support automation and mechanisation in agricultural projects
- 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
- Agricultural automation tax incentives for planting, livestock, apiculture, aquaculture and deep-sea fishing expanded to include selected livestock farming using closed-house systems
- RM2.62bn for various subsidies and assistance such as paddy price subsidies, crop subsidies, fertiliser subsidies, seed subsidies and paddy production incentives
- RM20m to support start-ups producing mechanisation and automation products in collaboration with MPOB and major palm oil companies
- RM100m for oil Palm Replanting Incentive Programme for trees aged 25 years and above or unproductive, through a hybrid incentive of 50% grant and 50% soft loan at a rate as low as 2% by Agrobank

- Global supply chain disruptions and uncertainties during the COVID-19 pandemic, geopolitical tensions and climate change have revealed the critical importance of food security by highlighting vulnerabilities in food distribution and increasing food prices. Hence, it is important that Malaysia steps up efforts toward achieving self-sufficiency for essential food to safeguard the nation's food security. The government's efforts are supported by initiatives such as Agrobank, providing RM1.1 billion in financing to drive automation and mechanisation in agricultural projects, a substantial increase compared to 2025, which is a positive step towards modernising the sector.
- On land utilisation, greater cooperation with state governments is needed to secure more land for agricultural purposes. While the Budget 2023 highlighted the use of 800 acres (approximately 324 hectares) of abandoned land owned by FELDA, FELCRA, RISDA, and agencies under MAFS for food crop cultivation, this represents only a small fraction of the 90,578 hectares of abandoned land reported in Peninsular Malaysia. This points to the need for a more ambitious and scalable approach to fully leverage available land resources for food security.
- Notably, the development expenditure for agriculture sector declined drastically by 81.3% to RM0.6 billion in 2026 from 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 in the sector.

# **#12 Maintaining Social Harmony and Strengthening Social Protection**

#### **KEY MEASURES**

#### Women

- Individual income tax relief on childcare or kindergarden fees will be extended to cover registered daycare and transit centres for children up to 12 years old, effective YA2026
- RM270m financing will be provided by Bank Rakyat, BSN, MARA and SME Bank to support women entrepreneurs

#### Special needs

- Nearly RM1.4bn for bedridden persons with disabilities, those unable to work and the OKU's Worker's Allowance
- RM10,000 individual income tax relief will be provided for early intervention and treatment for children with disabilities under 18, up from RM6,000

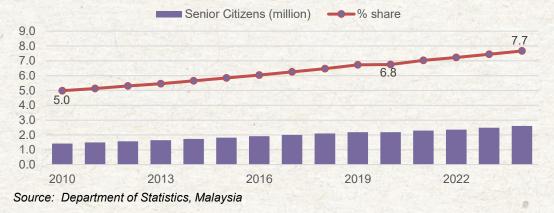
#### Senior citizens

• RM1.26bn for elderly welfare, benefitting 180,000 seniors through allowances, socio-economic aid and activity centres

#### COMMENTARY

 It is undeniable that Malaysia is experiencing a demographic shift in population whereby there has been a gradual increase in proportion of senior citizens in Malaysia from 2010 to 2024. The proportion of Malaysians aged 60 and above is expected to rise to 15.3% by 2030, officially classifying the country as an "aged nation". The number of individuals aged 65 and over is projected to more than double from 2.1 million in 2020 to 4.8 million in 2030

#### **Current population estimate**



 Malaysia's demographic shifts point to an ageing society, driven by longer life expectancy and declining birth rates, making it imperative to establish a comprehensive legal and policy framework to safeguard the protection, welfare, and dignity of senior citizens. While the measures outlined in the Budget 2026 are commendable, they fall short of providing a clear legal framework.

# **#12 Maintaining Social Harmony and Strengthening Social Protection (cont.)**

#### **KEY MEASURES**

- RM15m to strengthen the Second Chance Programme for 1,700 former addicts and 3,000 former female inmates through start-up incentives
- RM55m to expand unity and national identity programmes
- Up to RM600 a year or RM6,000 lifetime in matching contributions will be provided to gig, e-hailing, and p-hailing workers under the i-Saraan Plus scheme
- Up to RM500 a year or RM5,000 lifetime in matching contributions will be provided under the i-Saraan scheme for informal and self-employed workers

- There are discussions about raising the retirement age to allow capable senior citizens to continue contributing to the economy and secure their financial well-being, given widespread challenges in post-retirement financial preparedness.
- Raising the retirement age presents both benefits and drawbacks.
   Encouraging older workers to remain in the workforce could increase its overall labour force participation rate, and an increased labour force participation rate could lead to improved economic productivity. The World Bank estimated that a 1% increase in the labour force participation rate in Malaysia could result in a 0.5% increase in GDP per capita.
- Increasing the retirement age can foster age diversity in the workplace, allowing for a diverse and wider mix of experiences, knowledge and perspectives.
- There are concerns over elder workers' medical fitness and lack of new skillset as they continue working. Some individuals are concerned that raising the retirement age can hinder subordinates in their career progression, disrupting succession planning. This is because delaying the turnover in key positions can make it more difficult to identify and develop potential successors. If people stay in their roles longer, it creates a bottleneck in the workplace, potentially hindering the progress of development and advancement of younger individuals, more talent retention.

# **#13 Fiscal Sustainability and Institutional Reforms**

#### **KEY MEASURES**

- Excise duty on alcoholic beverages will be increased by 10% with effect from 1 November 2025
- Excise duty on cigarettes, cigars, cheroots, cigarillos and heated tobacco products will be increased from 1 November 2025
- Introduce stamp duty self-assessment to foster tax compliance
- Expedite the refunds of overpaid tax
- Restrict vehicle tax exemption in Langkawi and Labuan on value not exceeding RM300,000
- RM220m for National Audit Department
- Introduce digital tax stamps with enhanced security features and Centralised Screening CCTV Complex
- · Separate the roles of the Attorney General and the Public Prosecutor
- Examine a comprehensive reform of criminal law and contract law, including drafting a new Admiralty Jurisdiction Bill and a new Coroners Bill
- Amend the Consumer Protection Act to include elements of Lemons Law
- RM233m to strengthen the role of Parliamentary Institution

- It is commendable that no new taxes have been introduced that would burden businesses. Through targeted subsidy rationalisation, the government has achieved savings of around RM15.5 billion annually. Malaysia's fiscal deficit continues to narrow, projected at -RM74.6 billion or 3.5% of GDP in 2026, but the pace of consolidation remains constrained by structural spending pressures.
- Emoluments and retirement charges, estimated at RM152.2 billion or 45% of total operating expenditure in 2026, remain the main fiscal rigidities. The implementation of phase 2 of Public Service Remuneration System (SSPA) with a 7% salary increase for lower-grade civil servants, alongside a growing pool of nearly one million pensioners, underscores the urgent need for public service and pension reform. The proposed implementation of a defined-contribution scheme to replace the defined-benefits pension scheme for public servants is a positive step to contain the growth of pension liabilities.
- On the revenue side, the expanded Sales and Service Tax (SST) is projected to add RM5–10 billion annually, but this is insufficient to broaden the tax base or ensure long-term fiscal revenue resilience. Businesses are largely favouring the reintroduction of Goods and Services Tax (GST) due to its clarity and transparency. While public concerns persist about its inflationary impact, evidence showed that SST does not necessarily exert lower price pressures. The key lies in effective implementation, refund efficiency, and targeted exemptions.

# **#14 Treatment of Foreign-sourced Income and Capital Market Development**

#### **KEY MEASURES**

- Tax exemption on foreign-sourced dividend income received in Malaysia by certain categories of taxpayers, will be extended to 31 December 2030. In addition, from 1 January 2027 to 31 December 2030, this exemption will also apply to co-operative societies and trust bodies
- Tax exemption on gains from the disposal of foreign capital assets received in Malaysia by certain categories of taxpayers will be extended to 31 December 2030
- Profit distributions exceeding RM100,000 per annum received by individual partners (whether resident or non-resident) from a limited liability partnership will be subject to a 2% tax. This 2% tax previously only applied to dividend income of individuals, received from companies
- Venture capital participants will continue to benefit from reduced tax rates, now proposed to be 5% for Venture Capital Companies (VCCs) and 10% for Venture Capital Management Companies (VCMCs). To further stimulate this industry, tax exemption will be given on dividends paid to individual shareholders of VCCs; and VCCs will have the flexibility to be set up as domestic Limited Liability Partnerships (LLPs), or Labuan limited partnerships or LLPs
- Listing cost deductions of up to RM1.5 million are also extended to micro, small and medium enterprises (MSMEs) in the energy and utilities sector until 2030

- The extension of tax exemption on foreign-sourced dividend income received in Malaysia and also on gains from the disposal of foreign capital assets received in Malaysia by categories of taxpayers, is expected to encourage the repatriation of money back to Malaysia, while providing clarity and certainty to Malaysians, an important element crucial for individuals and companies to make strategic investment decisions.
- The venture capital industry will get a boost from the reduced tax rate and tax exemption given on dividends paid to individual shareholders of VCCs. These tax measures would strengthen the VC ecosystem by attracting more investment into local startups.



# **Appendix**

### **PILLAR 1: UPHOLDING BEST GOVERNANCE**

| Initiative                                | Key measures and initiatives  |  |  |  |  |  |  |
|---|---|--|--|--|--|--|--|
| 1. 2026 Budget<br>Allocation              | 4.0%-4.5% of gross domestic product (GDP) growth in 2026  |  |  |  |  |  |  |
| 2. Fiscal Responsibility & Public Finance | 3.5% of fiscal deficit     RM715m to enhance the capacity of enforcement agencies, especially MACC (SPRM), Royal Malaysia Police (PDRM), Royal Malaysian Customs Department (JKDM), Ministry of Domestic Trade and Cost of Living (KPDN), and Malaysia Competition Commission (MyCC) through training & asset acquisition     Enhance enforcement to combat smuggling activities and curb leakages at the country's entry points:     Introduce the digital tax stamps with the latest security features     Install Centralised Screening Complex CCTV at the country's entry points, e.g.: Port Klang     Empower cross-agency cooperation between the Inland Revenue Board of Malaysia (LHDNM), JKDM, PDRM, KPDN, SPRM, Malaysian Maritime Enforcement Agency (APMM), and industry     Increase the level of compliance and efficiency of tax administration:     Fully implement e-Invoicing starting in 2026 and the stamp duty self-assessment system     Increase international cooperation to identify unreported foreign sources for taxation purposes     Accelerate the refund of overpaid taxes     Establish the Pusat Kajian Percukaian Kebangsaan with the industry as a strategic platform to study national taxation policy     Crack down on corruption and irregularities:     RM425m for MACC     RM220m for National Audit Department     Income Tax relief for donors who make cash contributions to anti-corruption programs organised by Pertubuhan Masyarakat Sosial (CSOs)     RM102m of new projects for JKDM operational equipment such as various types of scanning machines |  |  |  |  |  |  |
| 3. Service Delivery<br>Efficiency         | <ul> <li>RM25m to Special Task Force on Agency Reform (STAR) for:         <ul> <li>Comprehensive digitalisation efforts for public transactions</li> <li>Public-private collaboration through PIKAS 2030 to accelerate infrastructure development and new innovations</li> <li>Global benchmarking so that public service reform is on par with, and even surpasses, international standards</li> </ul> </li> <li>Expand MyDigital ID usage to key sectors such as finance, telecommunications, e-commerce, and health</li> <li>RM20m to empower the Govtech Malaysia Unit to develop more Government digital applications</li> <li>Develop MADANI Kiosks in all states in phases</li> <li>RM45m to improve Urban Transformation Centres (UTCs) nationwide in phases, including Cash Aid Hubs, Public-Private Career Hubs, and MADANI Touch Kiosks</li> <li>RM31.5m to improve embassy office equipment overseas for comfort and safety</li> <li>RM3m to empower the role of INTAN (National Institute of Public Administration) as an international-standard public service training centre</li> <li>RM2.4m to empower the service delivery of the National Registration Department (JPN) nationwide through capital asset acquisition</li> </ul>  |  |  |  |  |  |  |

| Initiative  | Key measures and initiatives  |
|---|---|
| 3. Service Delivery<br>Efficiency (cont.)           | <ul> <li>RM10m to empower the enforcement agility of the Ministry of Domestic Trade and Cost of Living (KPDN) to ensure price stability, supply availability, and protection of consumer rights and intellectual property</li> <li>RM1m to expand the role of the National Consumer Advisory Council and implement the Consumerism Action Plan strategy 2026-2030</li> <li>RM22m to establish of a special unit in the Malaysia Competition Commission (MyCC) focused on efforts to address public procurement bid rigging</li> <li>RM3m to strengthen the alternative dispute resolution (ADR) framework as a more practical approach to reduce the backlog of court cases:</li> <li>Establishment of the MADANI Malaysia Mediation Centre</li> <li>Professional mediation training for 200 Government officers</li> <li>Open of an Asian International Arbitration Centre (AIAC) branch in Kuching in collaboration with the Sarawak State Government</li> </ul>  |
| 4. Strengthening the Three Branches of Institutions | <ul> <li>RM233m to strengthen the role of the Parliamentary Institution: <ul> <li>RM213m for Parliamentary allocation</li> <li>RM5m to empower the function of Special Committee</li> <li>RM15m for community development programs by the All-Party Parliamentary Group Malaysia (APPGM)</li> </ul> </li> <li>Strengthen the role of the Judicial Institution</li> <li>RM359m for the Legal Affairs Division, Prime Minister's Department (JPM)</li> <li>RM165m for the maintenance of courts nationwide</li> <li>Increase salary &amp; allowance for judges up to 30% starting 1 Jan 2026</li> <li>MADANI institutional reform and governance agenda:</li> <li>Separate the roles of the Attorney General and the Public Prosecutor</li> <li>Comprehensive legal reform and drafting of new Bills by the Law Reform Team, including drafting the Admiralty Jurisdiction Bill and the Coroner's Bill</li> <li>Drafting or amending relevant laws to incorporate the element of Lemon Law to protect consumer rights against the purchase of substandard products</li> </ul> |

### **PILLAR 2: ADDRESSING PEOPLE'S PRIORITIES**

| Initiative              | Key measures and initiatives   |  |  |  |  |  |
|-------------------------|--|--|--|--|--|--|
| 5. Subsidy<br>Targeting | <ul> <li>RM54.7bn of overall allocation for subsidies, aid, and incentives</li> <li>RM1bn savings from the floating of chicken prices</li> <li>RM1bn savings from the floating of egg prices</li> <li>RM6bn annual savings through electricity subsidy targeting</li> <li>RM5bn savings from targeting diesel subsidy</li> <li>RM2.5bn savings from targeting RON95 subsidy</li> </ul> |  |  |  |  |  |

| Initiative                                | Key measures and initiatives   |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|
| 6. MADANI<br>Initiative for the<br>People | <ul> <li>RM1bn to improve the MADANI Community Programme:         <ul> <li>Expand Sejati MADANI to youth carrying out income-generating activities for vending machine programs or agriculture</li> <li>Increase in Kampung Angkat MADANI to 500 villages with the involvement of private sector cooperation</li> <li>Expand Solar MADANI to villages nationwide</li> <li>Increase in Sekolah Angkat MADANI to 1,500 schools, including the provision of free MADANI Tuition programmes</li> <li>Success of Sejahtera MADANI with collected funds contributed by the private sector</li> <li>Income tax deduction under section 44(6) of the Income Tax Act on contributions made by corporations to the Tabung Kesejahteraan Rakyat to enable intervention programmes focused on four scopes of aid: Housing, Income Enhancement, Education, and Welfare</li> </ul> </li> <li>RM400m for Rakyat Prihatin MADANI</li> <li>RM100m for Inisiatif MADANI Rakyat</li> <li>RM8.6m to implement Taman Angkat by DBKL through public-private collaboration for the development of public parks around Kuala Lumpur</li> </ul>   |  |  |  |  |  |  |
| 7. Mobile Services                        | <ul> <li>RM118.4m for government mobile services:</li> <li>RM5m to involve youth including medical, nursing, therapy, and rehabilitation students in health services for the elderly and OKU (Persons with Disabilities) community through strategic cooperation with the Ministry of Youth and Sports (KBS) and the Ministry of Higher Education (KPT)</li> <li>RM2m to expand Mobile Community Services to 19 remote areas in Sabah and Sarawak, including Kampung Karamuak, Sabah, and Telang Usan, Sarawak</li> <li>RM11m to add 4 units of BSN (National Savings Bank) Mobile Bank Branches to facilitate the distribution of Government aid to remote areas of Sabah, Sarawak, Pahang, and Perak</li> <li>RM10m to purchase 3 sets of Mobile Labour Courts and establish of a Special Mobile Court for Children</li> <li>RM2.6m for Menyemai Kasih Rakyat – MEKAR Service through mobile counters, registration literacy campaigns, MEKAR Prihatin, and cooperation with NGOs as strategic partners</li> <li>RM60.8m to expand Mobile Clinics &amp; Mobile Dental Clinics to the states of Melaka, Perlis, Penang, Selangor, Kuala Lumpur, Johor, and Sabah</li> <li>Expand Science on Wheels by the Science Centre to 120 new locations</li> <li>RM27m for KPT's MADANI Community Innovation &amp; Outreach Community Programme: Mobile Clinic (medical students), Community Rehabilitation Centres (Pusat Pemulihan Dalam Komuniti - PPDK), STEM Tuition, &amp; lifelong learning</li> </ul> |  |  |  |  |  |  |
| 8. State Development                      | <ul> <li>Penang:         <ul> <li>Traffic Dispersal Project for the North-South Expressway from Juru Toll to Sungai Dua Toll</li> <li>Kubang Semang Health Clinic and Seberang Perai Tengah Integrated Health Complex</li> <li>Upgrade Water Intake at Titi Kerawang and Teluk Awak, and Installation of Raw Water Pipes from Water Intake to Teluk Bahang Dam</li> <li>Upgrade Bertam Sports Complex, Kepala Batas, Seberang Perai Utara</li> <li>Construct an Underpass to connect Mount Erskine Road to Burma Road at the Mount Erskine/Gottlieb/Burma/Bagan Jermal Road Intersection Section A: Underpass</li> </ul> </li> <li>Johor:         <ul> <li>Upgrade of Senai-Desaru Expressway Phase 2A: Cahaya Baru to Sungai Johor for JS-SEZ</li> <li>Construct of Road from Kluang - Renggam - Layang-Layang Road J25 at Taman Muhibbah to Kota Tinggi - Kluang Road, Kluang District</li> <li>Replace Lifts and Escalators at Sultan Iskandar Building and Johor Bahru Sentral</li> <li>Upgrade of Intersection Section 16.0 on Johor Bahru - Kulai Road and Gelang Patah Road, Johor Bahru</li> <li>Upgrade of Pt. Panjang Road from Ayer Baloi Town to Sedenak Toll Interchange, Pontian</li> </ul> </li> </ul>  |  |  |  |  |  |  |

| Initiative  | Key measures and initiatives   |  |  |  |  |  |  |
|-------------|--|--|--|--|--|--|--|
| 8. State    | • Perak:   |  |  |  |  |  |  |
| Development | Develop the Third Regasification Terminal (RGT) Complex, Lumut   |  |  |  |  |  |  |
| (cont.)     | o Upgrade Federal Road in Pengkalan Hulu   |  |  |  |  |  |  |
| (cont.)     | Construct a new PLUS (North-South Expressway) interchange in Kerian  |  |  |  |  |  |  |
|             | Construct of a Health Clinic (Type 2) Tanjung Rambutan   |  |  |  |  |  |  |
|             | Develop of Basic Infrastructure Works for Perak Halal Industrial Park (PHIP), Manjung District   |  |  |  |  |  |  |
|             | Upgrade Route FT100 (Section 10.4) to Route FT3145 Lumut Port (Section 5.4), Manjung, Perak Phase 5: Tanjong Malim-Lumut Port  |  |  |  |  |  |  |
|             | • Kedah:   |  |  |  |  |  |  |
|             | o Karangan Riverbank Filtration Dam (Takungan Air Pinggiran Sungai), Kulim   |  |  |  |  |  |  |
|             | ○ Sik Health Clinic, Kedah   |  |  |  |  |  |  |
|             | o Environmentally Friendly Drainage Project at Taman Selasih, Kulim District   |  |  |  |  |  |  |
|             | Develop Kuala Kedah Waterfront Tourism Facilities, Kuala Kedah Town, Kota Setar  |  |  |  |  |  |  |
|             | o Coastal Erosion Project at Pantai Leman, Kota Setar District   |  |  |  |  |  |  |
|             | • Kelantan:  |  |  |  |  |  |  |
|             | o Drainage system for Bandar Baru Tunjong, Kota Bharu  |  |  |  |  |  |  |
|             | ○ Upgrade Kubang Kerian-Bachok Road  |  |  |  |  |  |  |
|             | <ul> <li>Regional Sewage Treatment Plant for Mukim Tiong &amp; Mukim Jelutong and Construction of Sewerage Pipe Network and Rationalisation Works in part of the Bandar Baru Tunjor</li> </ul> |  |  |  |  |  |  |
|             | Urban Catchment Sub-Zone, Kota Bharu District  |  |  |  |  |  |  |
|             | ○ Upgrade Kubang Kerian-Bachok Road from Kubang Kerian Interchange to Binjai Interchange, Kota Bharu   |  |  |  |  |  |  |
|             | ○ Upgrade Pasir Mas-Salor Road at Pasir Hor/Sultan Ismail Petra Interchange, Kota Bharu  |  |  |  |  |  |  |
|             | Rural Water Supply System for Pasir Mas District   |  |  |  |  |  |  |
|             | • Melaka:  |  |  |  |  |  |  |
|             | New road from Jalan Masjid Tanah Kuala Linggi to Telok Gong, Alor Gajah  |  |  |  |  |  |  |
|             | ○ Upgrade road from Sungai Udang to Masjid Tanah, Alor Gajah   |  |  |  |  |  |  |
|             | Reconstruct Dilapidated Building along with Additional Building at Sekolah Menengah Kebangsaan Ghafar Baba, Alor Gajah   |  |  |  |  |  |  |
|             | Construct new building and upgrade dormitory building at Sekolah Menengah Kebangsaan Tinggi Perempuan, Melaka Tengah•  |  |  |  |  |  |  |
|             | o Upgrade Maritime Museum Phase 1, Quayside Road, Melaka   |  |  |  |  |  |  |
|             | Negeri Sembilan:   |  |  |  |  |  |  |
|             | Construct a PLUS interchange for the development of Malaysia Vision Valley   |  |  |  |  |  |  |
|             | Pedas River Dam and Riverbank Filtration Dam (Baraj Dan Takungan Air Pinggiran Sungai), Rembau   |  |  |  |  |  |  |
|             | Upgrade of Palong Main Road Structure and Upgrading of Palong 7,8 Interchange, Jempol  |  |  |  |  |  |  |
|             | Conservation of Teluk Kemang Beach in Port Dickson District  |  |  |  |  |  |  |
|             | New road from Kampung Barisan to Kampung Tampin Linggi Road, Port Dickson District   |  |  |  |  |  |  |

| Initiative                   | Key measures and initiatives   |  |  |  |  |  |  |
|------------------------------|--|--|--|--|--|--|--|
| 8. State Development (cont.) | Pahang: Upgrade Kuantan-Segamat Expressway, Rompin Concrete bridge on Jalan Serengkam to Jalan Kuala Wau, Maran Develop Kg, Bongsu Havea, Temerloh Upgrade Sungai Lembing Road from Kampung Padang to LPT1 Traffic Light Interchange, Kuantan Health Clinic with Quarters, Pos Lenjang, Lipis Perlis: Upgrade Kampung Batu Dua to Beseri Road Upgrade of Chuping Flood Retention Pond Scanner Machine at Perlis Inland Port Aqquire buildings to be used as staff quarters for Tuanku Fauziah Hospital Full replacement construction of Sekolah Kebangsaan Chuping Terengganu: Coastal erosion control at Rusilla Beach, Marang Upgrade Federal Road in Setiu Dianage System in Kg, Mak Chili Paya, Chukai, Kemaman Construct a New Road from Kuala Terengganu Bypass at Kg Bukit Bayas to the road at the Kg Kubang Tangga intersection, Kuala Terengganu Upgrade infrastructure and sports facilities at the Kuala Terengganu Hockey Stadium Selangor: Sungai Bulon Flood Mitigation Plan (RTB) Phase 2 Additional Block for Banting Hospital, Selangor New development of mechanical and electrical infrastructure for flood control in Selangor New development of mechanical and electrical infrastructure for flood control in Selangor New development of mechanical and electrical infrastructure for flood control in Selangor New development of mechanical and electrical infrastructure for flood control in Selangor State Upgrade Federal Road from Batu 9 Interchange to Jalan Dato Alias Interchange including the construction of an Flyover Across Batu 9 Interchange, Cheras, Hulu Langat District Health Clinic Type 2 Kinrara, Petaling Federal Territory Conservation of Sungai Gombak from Kampung Sungai Mulia up to the Puah Flood Retention Pond, Federal Territory of Kuala Lumpur River conservation to reduce flood risk in the Federal Territory of Labaua Construct of Labaua Waterfront - Phase 1 Redevelop Kuala Lumpur Swimming Complex Sabah Upgrade Federal Road Road Sabaha Sabaha bund construction work Integrated River Basin Development for Sungais Myogo, Sabah - bund construction |  |  |  |  |  |  |

| Terengganu  | Initiative              | Key measures and initiatives  |
|---|-------------------------|---|
| <ul> <li>Acquire and Maintenance of Medical Equipment (Medical Equipment Enhancement Tenure–MEET) at Health Clinics in the states of Perlis, Kedah, Pahang, Kelantan, Terengganu</li> </ul> | 8. State<br>Development | Sarawak:  Construct the Kapit Division main road from Nanga Serau to Nanga Seranau, Kapit Division  Construct a health clinic with Quarters Mukah with the Mukah Division Integrated Health Complex  Beef Cattle Production Enhancement Programme in Sarawak  Padi and Rice Industry Empowerment Programme in Sarawak  People's Residency Programme (PRR) Samariang, Kuching  RM6.9bn and RM60bn for development in Sabah and Sarawak  RM6.00m and RM600m special grant to Sabah and Sarawak  RM6.00m and RM600m special grant to Sabah and Sarawak  RM1.2bn to continue commitment to sustain electricity supply in Sabah and the Federal Territory of Labuan:  RM880m for electricity supply subsidy covering tariff support subsidy, fuel subsidy, and large-scale solar subsidy  RM139.3m for electricity supply connection projects implemented by the Sabah Electricity Special Project Team by PETRA  RM765m for the Southern Link Transmission Line project  RM1bn for the Sabah Water Project – Pipe installation and upgrading  RM48bn for highway infrastructure projects in Sabah and Sarawak:  RM20.3bn for 9 packages of Pan Borneo Sarawak  RM15.9bn for Pan Borneo Sabah Phase 1A and 1B  RM8.81bn for Sarawak Sabah Link Road (SSLR) Phase 1 and 2  RM2.39bn for Trans Borneo Highway (LTB) Project  RM231m for upgrading existing Red Line Sibu Road Pavement Structure  RM2bn to develop MADANI Submarine Cable Connection (SALAM):  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to provide business space for small traders (penjaja kecil) at Tamu Desa in Sabah and Sarawak  RM200m to prograda basic infrastr |
| o Jeniang Water Transfer Scheme in the Muda Area  |                         | o Acquire and Maintenance of Medical Equipment (Medical Equipment Enhancement Tenure-MEET) at Health Clinics in the states of Perlis, Kedah, Pahang, Kelantan, a  |

### **PILLAR 3: CHAMPIONING HIGH-VALUE ECONOMY**

| Initiative          | Key measures and initiatives   |
|---------------------|--|
| 9. Strategic Sector | Facilitate investor affairs:   |
| Investment          | o Introduce the ASEAN Business Entity (ABE) status by the Securities Commission (SC) for public listed companies to facilitate the movement of skilled talent  |
|                     | Single Family Office Incentive Scheme for the Forest City Special Economic Zone (SEZ) by the SC  |
|                     | <ul> <li>Proactive offering of the Investor Pass by the Malaysian Investment Development Authority (MIDA) with Multi Entry Visa facility for up to 12 months</li> </ul>  |
|                     | <ul> <li>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</li> </ul>                        |
|                     | <ul> <li>Strategic Investor Pass (SIP) by MIDA to strategic investors including CEOs of leading companies, offering comprehensive facilitation such as immigration convenience</li> </ul>  |
|                     | o Improve of expatriate management through the MyXpats Centre under TalentCorp by establishing a centralised expatriate database and reactivating the Joint Working Committee -  |
|                     | Expatriate (JWC-E) in collaboration with the Ministry of Home Affairs (KDN) and the Ministry of Human Resources (KESUMA)   |
|                     | <ul> <li>Strengthen expatriate affairs with the establishment of the Expatriate Satellite Centre (ESC) at KLIA Terminal 1 &amp; 2 where expatriates can obtain an instant Employment Pass<br/>immediately upon arrival in Malaysia</li> </ul>              |
|                     | <ul> <li>Implement the pilot phase for the NIMP (New Industrial Master Plan) Tax Incentive framework and will be fully implemented starting from 1Q 2026</li> <li>Support high-value sectors:</li> </ul>   |
|                     | o RM200m to Strategic Co-Investment Fund for the participation of Small and Medium Enterprises (SMEs) and Mid-Tier Companies through ECF (Equity Crowdfunding) and P2F (Peer-to-Peer) platforms  |
|                     | o RM180m to NIMP Industry Development Fund (NIDF) to finance industry development programs for high-impact sectors such as pharmaceuticals, semiconductors, AI, digital, and sustainability, and to strengthen the capabilities of Bumiputera companies    |
|                     | o RM550m investment by Khazanah and KWAP in the semiconductor ecosystem to enhance joint ventures between local firms and multinational companies and strengthen the ecosystem's value chain   |
|                     | o RM500m loan fund under the National Semiconductor Strategy (NSS), for high value-added activities such as R&D, especially by Bank Pembangunan Malaysia Berhad (BPMB) fo local companies supporting the E&E (Electrical and Electronics) ecosystem        |
|                     | o RM340m to continue the Flagship Programme to train 2,500 people with global standing in Integrated Circuit Design (IC Design)  |
|                     | o RM10m to launch the SemiconStart incubator programme to support selected early-stage semiconductor start-up companies, which will be managed by MIDA and MTDC  |
|                     | • RM30bn of GLIC (Government-Linked Investment Companies) investments in 2026 cover strategic projects such as the development of the semiconductor and new energy industries national heritage projects, waqf (endowment) programmes, and venture capital |

| Initiative         | Key measures and initiatives  |   |  |  |  |  |
|--------------------|---|---|--|--|--|--|
| . Strategic Sector | Private market investment programmes by Government-Linked Investment Companies (GLICs):   |   |  |  |  |  |
|                    | Programme   | GLIC  | Fund Size  | Duration   | Purpose  |  |
| 17                 | Dana Pemacu   | KWAP  | RM1.2bn  | 2026   | Continue the RM6 billion investment programme (2025-28) to strengthen Malaysia's private market encompassing private equity, infrastructure, and real estate.              |  |
|                    | Dana Perintis   | KWAP  | RM500m   | 2026   | Continue the RM1 billion investment programme (2024-28) to support the activities of local start-up companies and venture capital through direct and indirect investments. |  |
|                    | Dana Iklim  | KWAP  | RM2bn  | 2026–2030  | Malaysia's first dedicated climate fund, for local and foreign climate-focused investments to reduce or abate up to 1 million metric tonnes of CO2.                        |  |
|                    | Semikonduktor   | KWAP  | RM250m   | 2026   | Strengthen Malaysia's semiconductor ecosystem with a focus on high-technology manufacturing and closer cooperation between local companies and multinational corporations. |  |
|                    | Semikonduktor   | Khazanah Nasional<br>Berhad   | RM300m   | 2026   | Channel capital through various investment approaches to enhance economic complexity and industrial capabilities.  |  |
|                    | Mid-Tier Companies  | Khazanah  | RM250m   | 2026   | Provide catalytic support to strengthen capabilities, broaden access to capital, and stimulate innovation-driven growth for Mid-Tier Companies (MTC).                      |  |
|                    | Jelawang  | Khazanah  | RM250m   | 2026   | Support investment in local start-up companies and venture capital through the "National Fund of Funds."   |  |
|                    | <ul> <li>Up to RM600,000 CIP</li> <li>Equity Investment Pro</li> <li>A matching grant of up</li> <li>Startup Ecosystem A</li> </ul> | SPARK Grant Funding P<br>SPRINT Grant Funding F<br>gramme for high-potentia<br>to RM15m to expand the | rogramme ove<br>Programme for<br>I companies wi<br>e GLC Innovatio<br>ocusing on the | r 18 months for the continuation of the continuation of the continuation (B) in the continuation of the co |  |  |

o Profit-sharing incentive to attract investments led by Venture Capital (VC) and Private Equity (PE) on the ECF (Equity Crowdfunding) platform

RM30m to improve the MyCIF Scheme by the Securities Commission Malaysia:

o Silver Economy Scheme to strengthen capital investment to support the ageing society

o ASEAN Business Entity Scheme to encourage regional expansion for Mid-Tier Companies (MTC)

o Extend Food Security Scheme until 2027 and expand to include the field of Agricultural Technology (Agritech)

RM8.5m to develop business events industry in Malaysia through the Malaysian Convention & Exhibition Bureau (MyCEB)



| Initiative                             | Key measures and initiatives  |   |   |  |  |  |
|--|---|---|---|--|--|--|
| 9. Strategic Sector Investment (cont.) | RM47.5m matching grants ar RM150m to SMEs for high var Empower Malaysia Airports expansion, enhanced passer Expand Sultan Azlan Shah RM2.3 billion for developm Upgrading works for STOL Inter-Terminal Transfer (IT Collaboration with the Selate RM10.5m to implement the Edata inventory Improve logistics affairs: Construct an Air Traffic Co Construct of a Terminal Bu Lengthen the siding runwa Upgrade and maintenance | and financing for to alue-added active Holdings Berhadinger experience, a Airport, Perak, and the Airports (Short Taker) at KLIA (Kualangor State Government Centre in Kuilding at Miri Airpy at North Butter of jetties nation of 2,000 acres in | and Sultan Ismail Petra Airport, Kota Bharu, Kelantan Kota Kinabalu, Tawau, and Miri airports, expected to be completed i ke Off and Landing Port) in Marudi and Redang, expected to be com a Lumpur International Airport) between Terminal 1 and 2 ernment for the development of the Selangor Aero Park (SAP) @KL nent (REE) Resource Potential Study Phase 2 to continue REE res  Kota Kinabalu, Sabah por rworth Container Terminal wide, including Kuala Kedah Jetty and Labuan Ferry Terminal Jetty in Carey Island under SD Guthrie and Sime Darby Property to suppor | rough infrastructure modernisation, international connectivity network in 2028 upleted in 2027 IA Aeropolis cource mapping activities and enhance the country's mineral resource.  |  |  |
|  | Programme   | Fund Size   | Purpose   | Financing Terms  |  |  |
|  | NIMP 2030 Strategic Co-<br>Investment Fund (CoSIF)  | RM200m  | A co-investment fund through SC-approved ECF (Equity Crowdfunding) and P2P (Peer-to-Peer) platforms aimed at attracting investor participation in financing priority sectors and new growth sectors identified under NIMP 2030 (New Industrial Master Plan 2030).   | The ECF/P2P platform evaluates the eligibility of SME (Small and Medium Enterprise) and MTC (Mid-Tier Company) applicants from the NIMP 2030 sector based on conditions determined by MITI (Ministry of Investment, Trade and Industry). |  |  |
|  | Malaysia Co-Investment<br>Fund (MyCIF)  | RM30m   | A co-investment fund through SC-approved ECF and P2P platforms aimed at encouraging investment in PMKS (Small and Medium Enterprises).  | The ECF/P2P platform evaluates the eligibility of PMKS based on conditions determined by MoF (Ministry of Finance).  |  |  |

| Initiative                                | Key measures and initiatives   |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|
| 10. Cross-Border<br>Economic<br>Champions | <ul> <li>Development of the ASEAN Power Grid (APG): <ul> <li>Lao PDR—Thailand—Malaysia—Singapore Power Integration Project and expansion of new connections with Singapore, Sarawak, Vietnam</li> <li>Energy Exchange Malaysia for the export of Renewable Energy (TBB) to Singapore</li> <li>An Enhanced MoU on APG will be signed to catalyse Malaysia as a regional green electricity trade hub</li> <li>Vietnam-Malaysia-Singapore Project to channel renewable energy from Southern Vietnam to Malaysia and Singapore</li> </ul> </li> <li>Strengthen the connectivity agenda of ASEAN countries by expanding the network through cross-border QR payment in ASEAN via the Nexus Project by Bank Negara Malaysia (BNM)</li> <li>RM3.4bn fund for the development of JS-SEZ (Johor-Singapore Special Economic Zone) infrastructure, including roads, water supply, electricity, broadband, and flood mitigation</li> <li>RM2.7bn investment in the development of economic activities at the northern border such as Delapan in the Bukit Kayu Hitam Special Border Economic Zone (SEZ), which connects ASEAN's supply chain &amp; digital ecosystem</li> <li>RM803m for basic infrastructure to support economic activities at the national borders with Indonesia and Thailand: <ul> <li>RM416m to construct of a new road from Kalabakan, Sabah to Simanggaris, Indonesia, spanning 28 KM</li> <li>RM97m to upgrade the existing road to a four-lane dual carriageway and interchange in Rantau Panjang, Kelantan</li> <li>RM260m to upgrade the Pasir Mas-Rantau Panjang railway track</li> <li>Full operation of the RTS Link Project on 1 January 2027</li> </ul> </li> <li>RM7.5m to promote e-commerce activities: <ul> <li>RM2.5m for MATRADE (Malaysia External Trade Development Corporation) - Cross-border e-commerce development programme (EBIZLINK)</li> <li>RM5m for MARA (Majils Amanah Rakyat) - Business Digitisation Programme</li> </ul> </li> </ul> |  |  |  |  |  |  |
| 11. Local Talent<br>Development           | <ul> <li>Propose to draft the TVET Bill to strengthen the TVET ecosystem</li> <li>RM7.9bn for overall TVET:</li> <li>RM45m for National TVET Council:</li> <li>RM5m for PT@Komuniti Programme for tahfiz and pondok students</li> <li>RM10m for Creative Multimedia MADANI TVET by the Ministry of Education (KPM)</li> <li>RM10m for Melaka Technopreneur TVET Development Programme (MTT): MULA MELAKA, IMPIAN MELAKA &amp; INKUBINA TVET</li> <li>RM5m to strengthen the long-term care (LTC) system through TVET professional training by the Ministry of Women, Family and Community Development (KPWKM)</li> <li>RM1.3bn for KPM Technical &amp; Vocational Education Institutions to educate 79,000 TVET students</li> <li>RM3bn to offer 3 million training opportunities by HRD Corp, especially for high-technology, digital, and energy transition sectors</li> <li>RM650m financing facility by PTPK (Skills Development Fund Corporation), especially in the fields of AI, EV (Electric Vehicles), and semiconductors</li> <li>RM34m to continue the Academy in Industry Programme by the Department of Skills Development (JPK)</li> <li>Majlis Amanah Rakyat:         <ul> <li>RM30m for high-impact TVET Training Reinforcement Programme for gig workers, B40 group, and vulnerable communities</li> <li>RM30m for Industrial Boot Camp (IBC) with guaranteed employment</li> <li>RM8m for Technopreneur Diploma, including expansion into the electrical and electronics-semiconductor and consumer product fields</li> <li>RM2m for Based Professional Program (IBPro) for the development of industrial training and professional certification in strategic fields such as accounting, Halal, Islamic finance, and logistics</li> </ul> </li> </ul>   |  |  |  |  |  |  |



| Initiative                           | Key measures and initiatives  |  |  |  |  |  |
|--------------------------------------|---|--|--|--|--|--|
| 11. Local Talent Development (cont.) | <ul> <li>Jabatan Tenaga Manusia:</li> <li>RM5m to train trainers in the semiconductor field at ADTEC, Taiping, Perak</li> <li>RM20m to construct a new hangar at ADTEC Shah Alam</li> <li>RM5m for Lifelong Learning Programme by Community Colleges for focused communities: OKU (Persons with Disabilities), the elderly, single mothers, and Orang Asli (Indigenous People)</li> <li>RM60m to construct he TVET Marine Teaching Shipyard Complex at Universiti Malaysia Terengganu</li> <li>RM10m to strengthen technical and vocational training opportunities by GIATMARA Centres for 13,800 school leavers &amp; youth pursuing TVET training</li> <li>RM10m to continue the Industrial Training Programme for Small and Medium Enterprises (LiKES) by TalentCorp providing training to young talent, with the industrial training period extended to 12 months and the employer matching grant amount for each trainee increased to RM3,600 per year</li> </ul>  |  |  |  |  |  |
| 12. Islamic<br>Economy Leader        | <ul> <li>Introduce Global Tokenised Sukuk and Climate Sukuk by Labuan IBFC for green project financing and the provision of financial dividends in the form of carbon credits</li> <li>RM35m matching grant for the iTEKAD initiative with a ratio of (1:2) to support entrepreneurship, protection, and careers for vulnerable groups, with social finance funds contributed by the private sector, including financial institutions</li> <li>RM250m to develop waqf land by UDA Holdings Berhad for 3 projects in Penang</li> <li>RM300m to introduce tokenised Cash Waqf Sukuk to allow investors to endow the principal or returns as donations for social development such as improving facilities for special education, autism centres, and palliative care facilities</li> <li>RM5m to accelerate the process of issuing halal certificates by JAKIM</li> <li>RM124m to develop a Halal Industrial Park in Manjung, Perak</li> <li>RM5 to develop the Islamic Social Finance Strategy Guide and a data repository for coordinating information such as zakat, waqf, sedekah, and other Islamic social programmes by International Centre for Education in Islamic Finance (INFEIF)</li> <li>Encourage halal compliance among companies by the Halal Development Corporation</li> <li>RM3m for Empowerment and Intervention Programme for PMKS (SME) Halal Entrepreneurs</li> <li>Improve the guidelines for the Sukuk and Bond SRI (Sustainable and Responsible Investment) Grant Scheme to be recognised under the ASEAN Taxonomy</li> </ul> |  |  |  |  |  |
| 13. Visit Malaysia<br>Year 2026      | <ul> <li>RM705m to boost tourism sector:         <ul> <li>RM500m for Visit Malaysia Year 2026 Campaign</li> <li>RM20m Cultural Sector Support Grant (GSSK) for organising arts and culture events</li> <li>RM30m Tourism Sector Matching Grant (GSSP) for organising tourism events</li> <li>RM10m Malaysia Travel Promotion Fund (GAMELAN) for marketing tourism activities</li> <li>RM50m to promote arts, culture &amp; heritage activities through the Ministry of Tourism, Arts and Culture (MOTAC)</li> <li>RM50m International and Charter Flight Matching Grant (GSPC) to increase the number of international and charter flights to Malaysia</li> <li>RM25m to improve tourism facilities such as in Cherating Beach, Pahang, and the conservation of UNESCO sites such as Gunung Mulu National Park, Sarawak; Lenggong Valley, Perak; and FRIM Forest Park, Selangor</li> <li>RM20m to promote Malaysia as a world-class healthcare service destination by the Malaysia Healthcare Travel Council (MHTC)</li> </ul> </li> </ul>  |  |  |  |  |  |

| Initiative                             | Key measures and initiatives   |  |  |  |
|--|--|--|--|--|
| 3. Visit Malaysia<br>(ear 2026 (cont.) | Tax incentives for tourism sector:  Tax deduction up to RM500,000 on qualifying expenditure for tourism project operators who carry out renovation and refurbishment of business premises  10% income tax exemption for tourism operating companies on the value of increased income derived from tourism packages to Malaysia  100% income tax exemption on statutory income for companies, associations, or organisations that organise international-standard Conferences, Trade Exhibitions, or Incentives  50% income tax exemption on statutory income for companies organising international-standard arts, cultural, tourism activities, and sports and recreation competitions involving foreign participants  50 pecial individual income tax relief of up to RM1,000 on expenditure for entrance fees to local tourism centres and cultural programmes  10 all tax driver.  10 100% excise duty and % sales tax exemption to purchase new national cars, PROTON and PERODUA, by taxi and private hire care owners.  10 RM16m to training programme for licensed taxi drivers by HRDP (Human Resource Development Fund) for contributing companies to enhance the professionalism of taxi driver and the safety and satisfaction of consumers and tourists  10 Evelop goe-tourism products at kilim Geoforest Park, the Gua Selat Panchor adventure trail, and hiking geotralis in the Langkawi UNESCO Global Geopark  10 RM16m for ecotourism in collaboration with the Sustainable Tourism Network  10 RM16m to KL Heritage Intitiative (Kithair Warisan KL) for organising placemaking activities, cultural and creative economy programmes, and community development:  10 Open Seri Negara Building in Dec 2025  11 Construct a pedestrian bridge between Perdana Botanical Garden and Carcosa Seri Negara - Dec 2026  12 Opening of the Sultan Abdul Samad Building Complex - Feb 2026  13 Opening of the Sultan Abdul Samad Building Complex - Feb 2026  14 Opening of the Sultan Abdul Samad Building Complex - Feb 2026  15 Opening of the Sultan Abdul Samad Building Complex - Feb 2026  16 Opening of th |  |  |  |

### **PILLAR 4: DRIVING MALAYSIAN-MADE PRODUCTS**

| Initiative                               | Key measures and initiatives  |  |  |
|--|---|--|--|
| 14. Artificial Intelligence & RDCI       | <ul> <li>RM5.8bn allocation for RDCI activities across ministries</li> <li>RM18m for NAIO to develop highly skilled talent, strengthen digital infrastructure and create an efficient AI ecosystem</li> <li>An additional 50% tax deduction will be given to MSMEs for training expenses related to AI and cybersecurity recognised by MyMahir National AI Council for Industry (NAICI)</li> <li>RM2bn to build a Sovereign AI Cloud by SKMM</li> <li>An AI Transformation Centre in collaboration with Multimedia University and the Center of Excellence in Ethics for Emerging Technologies will be established as an R&amp;D and culturally sensitive AI hub</li> <li>RM53m for Malaysia Digital Acceleration Grant</li> <li>RM7m for MIMOS to develop blockchain technology and deepfake detection</li> <li>RM15m allocated to promote science, technology and innovation among youth through initiatives such as Malaysia Techlympics, National Science Week, Rehlah Sains and Science on Wheels</li> <li>RM1m to develop intellectual property valuation capabilities and implementation of the IP Apprentice for Technology Transfer Offices (TTOs) programme by the Intellectual Property Corporation of Malaysia (MyIPO)</li> </ul> |  |  |
| 15. Buy Made-in-<br>Malaysia Products    | <ul> <li>Public university lecturers who are founders of spin-off companies are allowed to take a one-year research or sabbatical leave for the purpose of R&amp;D commercialisation</li> <li>RM10m seed fund through the establishment of the National Spin-off Company Fund</li> <li>RM12m allocated to selected HPU to apply research outcomes in targeted patient rehabilitation</li> <li>RM3m with priority given to MySTI products in Government procurement, including opportunities for commercial testing</li> <li>100% Green Asset Investment Tax Allowance for Own Use will be granted to companies using locally manufactured green technology products recognised by the MyHIJAU Mark</li> <li>RM20m to strengthen the Buatan Malaysia logo labelling and Kempen Beli Barangan Buatan Malaysia</li> <li>RM5m to organise the Putrajaya Festival of Ideas as a platform to bring research and innovation outcomes from universities closer to the public for commercialisation</li> </ul>   |  |  |
| 16. Export Market<br>Support             | <ul> <li>SJPP is ready to guarantee up to 70% of financing for export-oriented mid-tier companies, with a total guarantee value of up to RM5 billion</li> <li>RM60m to facilitate MSMEs to export Malaysian products and services: RM50m for Market Development Grant; RM10m for Malaysia Go Global</li> <li>RM500m soft loans by EXIM Bank to assist companies affected by global trade tariff tensions</li> <li>RM10m for Program Jaringan Strategik Ekonomi, Perdagangan dan Pelaburan implemented primarily in new high-potential markets</li> <li>RM5m Trade Credit Protection Takaful Scheme under EXIM Bank as an incentive for first year takaful contribution payment</li> </ul>   |  |  |
| 17. Empowering<br>Local<br>Entrepreneurs | <ul> <li>RM50bn total Government loan and guarantee facilities</li> <li>RM30bn Government Guarantee Scheme through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) to continue supporting SMEs in focus sectors such as Bumiputera (RM10bn), high technology and semiconductor (RM5bn), halal (RM2bn), mid-tier companies (RM5bn), ESG and tourism (RM2bn), and others including expansion to include guarantees for microfinancing (RM6bn)</li> <li>RM1.6bn BSN microfinancing scheme</li> <li>RM1.1bn loan facilities for Bumiputera entrepreneurs under TEKUN</li> <li>RM1.1bn by Agrobank for various financing schemes in the food security sector</li> <li>BNM funds worth RM3bn will transition towards guarantee-based support, focusing on underserved segments and high-impact activities such as digitalisation, automation, innovation and green transition</li> <li>RM350m by SKMM to strengthen Pusat NADI</li> </ul>   |  |  |

| Initiative                                 | Key measures and initiatives  |  |  |                              |
|--|---|--|--|------------------------------|
| 17. Empowering Local Entrepreneurs (cont.) | <ul> <li>RM11m Program Pembangunan Usa</li> <li>RM11.5m for Pembangunan Vendor for Program Pembangunan Kapasiti</li> <li>RM2m to enhance entrepreneur cal companies involved or with potential</li> <li>RM2m allocation to SME Bank for Perior RM63.8m to strengthen cooperative</li> <li>RM50m additional injection into Derior RM3.8m for Transformasi Ekonom</li> <li>RM6m for Pembangunan Perniagerican RM3m for Pemerkasaan Rantaian</li> <li>RM1m for Penggalakan Koperasi</li> <li>RM20m Services Biz Financing (SBI</li> <li>Close to RM1bn in financing and graderican remployment</li> <li>The salary threshold for employment</li> </ul> | pacity through the implementation of the Program Penskalaan Perniagaan Inklusi<br>in Inclusive Enterprises<br>ogram Maju Usahawan Madani 2.0 (MUM 2.0)<br>activities:<br>ana Tabung Modal Pusingan Suruhanjaya Koperasi Malaysia<br>ai Koperasi Pertanian/Perladangan (Tekad)<br>aan Melalui Koperasi (PPMK) 3.0<br>Bekalan Koperasi (SCOPE) | n Penyelidikan dan Pengkomers  f and capacity building for policy  nation and digitalisation | sialan Vendor 3.0 and RM5.5r |
|  | Micro credit scheme:     Financial institution  | Drawrom / Schomo   | Fund size (DM million)   |                              |
|  | Amanah Ikhtiar Malaysia (AIM)   | Program / Scheme Paduri MADANI   | Fund size (RM million) 200   |                              |
|  | Bank Negara Malaysia (BNM)  | i-TEKAD  | 35   |                              |
|  | Bank Simpanan Nasional (BSN)  | Pembiayaan Mikro Madani Umum   | 850  |                              |
|  | Bank Gimpanan Nasional (BON)  | Pembiayaan Mikro Madani Bumiputera   | 200  |                              |
|  |   |  |  |                              |
|  |   |  |  |                              |
|  |   | Pembiayaan Mikro Madani Wanita   | 150  |                              |
|  |   | Pembiayaan Mikro Madani Wanita Pembiayaan Mikro Madani Belia   | 150<br>150   |                              |
|  |   | Pembiayaan Mikro Madani Wanita Pembiayaan Mikro Madani Belia Pembiayaan Mikro Madani Lestari   | 150<br>150<br>50   |                              |
|  |   | Pembiayaan Mikro Madani Wanita Pembiayaan Mikro Madani Belia Pembiayaan Mikro Madani Lestari Pembiayaan Mikro Madani Bakti   | 150<br>150<br>50<br>20   |                              |
|  |   | Pembiayaan Mikro Madani Wanita Pembiayaan Mikro Madani Belia Pembiayaan Mikro Madani Lestari   | 150<br>150<br>50   |                              |

Pembiayaan Mikro Madani Penjaja

Pembiayaan Usahawan Perusahaan Kecil Komuniti Cina

Pembiayaan Kampung Baru Cina

Skim Penjaja Kecil Cina

20

152

25

| Initiative     |                                     | Key measures and initiatives                         |                        |  |  |  |
|----------------|-------------------------------------|--|------------------------|--|--|--|
| 17. Empowering | Micro credit scheme: (cont.)        |  |                        |  |  |  |
| _ocal          | Financial institution               | Program / Scheme                                     | Fund size (RM million) |  |  |  |
| Intrepreneurs  | TEKUN Nasional                      | Tabung Ekonomi Kumpulan Usaha Niaga – Bumiputera 3.0 | 490                    |  |  |  |
| cont.)         |                                     | Skim Pembiayaan TEKUN Mobiliepreneur 4.0             | 10                     |  |  |  |
|                |                                     | Skim Pembangunan Usahawan Masyarakat India           | 70                     |  |  |  |
|                |                                     | Kontrak-I  | 430                    |  |  |  |
|                |                                     | Skim Pembiayaan Online TEKUN                         | 5                      |  |  |  |
|                |                                     | TEMAN TEKUN  | 95                     |  |  |  |
|                | Grant for microenterprises:         |  |                        |  |  |  |
|                | Institution                         | Program / Scheme                                     | Amount (RM million)    |  |  |  |
|                | Bank Simpanan Nasional (BSN)        | Geran Padanan Digital PMKS – Telco                   | 50                     |  |  |  |
|                |                                     | Geran Padanan Digital PMKS – Penyedia Teknologi      |                        |  |  |  |
|                |                                     | Geran Digital Penjaja                                |                        |  |  |  |
|                |                                     | Penjaja MADANI Celik Rangkuman Kewangan Digital      | 20                     |  |  |  |
|                |                                     | Latihan & Bimbingan Usahawan MADANI                  | 10                     |  |  |  |
|                | 75 - 15 m<br>14 - 15 m<br>15 - 15 m | Geran Mikro MADANI                                   | 10                     |  |  |  |
|                |                                     | Pembangunan Usahawan Rentan MADANI                   | 10                     |  |  |  |
|                | SME soft loan:                      |  |                        |  |  |  |
|                | Financial institution               | Program / Scheme                                     | Fund size (RM million) |  |  |  |
|                | Bank Pertanian Malaysia Berhad      | Dana Keterjaminan Agromakanan                        | 250                    |  |  |  |
|                | (Agrobank)                          | Skim Pembiayaan Pemacu Perikanan Tangkapan           | 10                     |  |  |  |
|                |                                     | Dana Vesel dan Mekanisasi Tangkapan                  | 52                     |  |  |  |
|                |                                     | Dana Pertanian dan Agromakanan                       | 688                    |  |  |  |
|                |                                     | Program Tanam Semula Pekebun Kecil Sawit (TSPKS 2.0) | 100                    |  |  |  |
|                | Bank Kerjasama Rakyat Malaysia      | Pembiayaan PMKS                                      | 750                    |  |  |  |
|                | Berhad (Bank Rakyat)                | Pembiayaan Koperasi                                  | 250                    |  |  |  |
|                |                                     | BRPlus – i BizLady                                   | 30                     |  |  |  |
|                | Bank Pembangunan Malaysia           | Program Pembiayaan Semikonduktor                     | 500                    |  |  |  |
|                |                                     |  |                        |  |  |  |
|                | Berhad (BPMB)                       | Program Pembangunan MADANI                           | 3,000                  |  |  |  |

| Initiative |  | Key measures and initiatives  |                        |
|------------|--|---|------------------------|
| npowering  | SME soft loan: (cont.)                                 |   |                        |
|            | Financial institution                                  | Program / Scheme  | Fund size (RM million) |
| preneurs   | Export-Import Bank of Malaysia                         | Skim Eksport Lonjakan (ExL)   | 500                    |
| )          | Berhad (EXIM Bank)                                     | Malaysia Global Connect (MGC) Go Export Cover – Skim Perlindungan Takaful | 5                      |
|            | Majlis Amanah Rakyat (MARA)                            | Program Pembangunan Keusahawanan Spike dan Spike GLC                      | 75                     |
|            | <del> </del>   | Program Pembangunan Keusahawanan Belia 2.0                                | 15                     |
|            |  | Program Pembiayaan MARA Integrated Smart Auto (MISA)                      | 10                     |
|            |  | Skim Pembiayaan Pembangunan Usahawan Profesional (PROSPEC)                | 20                     |
|            |  | Skim Pembiayaan Perniagaan Khas Wanita (DANANITA)                         | 40                     |
|            |  | Program Pembangunan Usahawan Teknikal (PROTECH)                           | 8                      |
|            |  | Program Pembangunan Usahawan Peruncitan (PRORETAIL)                       | 9                      |
|            | Malaysia Debt Ventures Berhad (MDV)                    | Technology Accelerator and Commercialisation Scheme (TACT)                | 30                     |
|            |  | National Energy Transition Facility dan Green Financing                   | 285                    |
|            |  | Pembiayaan Projek   | 405                    |
|            |  | Pembiayaan Kontrak  |                        |
|            | Malaysian Industrial Development Finance Berhad (MIDF) | Pembiayaan Perniagaan Hijau dan Lestari (SGBF)                            |                        |
|            |  | Smart Automation Financing Programme (SAFP)                               |                        |
|            |  | Pembiayaan Perniagaan Mobiliti Lestari (SMBF)                             |                        |
|            |  | Matching Grant For Bumiputera Aerospace SMEs (MGBAS)                      | 10                     |
|            |  | Green and Sustainable Business Financing                                  | 39                     |
|            |  | Sustainable Mobility Biz Financing (SMBF)                                 | 10                     |
|            | Perbadanan Nasional Berhad                             | PERNAS Franchise Licensing (PFL)  | 40                     |
|            | (PERNAS)   | Be Your Own Boss (BYOB) 2.0   | 9                      |
|            | Perbadanan Usahawan Nasional                           | PROSPER Grow  | 200                    |
|            | Berhad (PUNB)  | PROSPER Great   | 100                    |
|            | **   | PROSPER Impact  | 50                     |
|            | Suruhanjaya Koperasi Malaysia<br>(SKM)                 | Tabung Modal Pusingan (TMP)   | 50                     |

| Initiative    |  | Key measures and initiatives  |                        |  |  |
|---------------|--|---|------------------------|--|--|
| 7. Empowering | SME soft loan: (cont.)                       |   |                        |  |  |
| ocal          | Financial institution                        | Program / Scheme  | Fund size (RM million) |  |  |
| ntrepreneurs  | Small Medium Enterprise                      | SME Technology Transformation Fund                                  | 400                    |  |  |
| cont.)        | Development Bank Malaysia (SME               | Program Jaguh Serantau  | 200                    |  |  |
|               | Bank)  | Program Pembiayaan HalalBiz   | 100                    |  |  |
|               |  | MySMELady 2.0   | 50                     |  |  |
|               |  | Skim Pembiayaan Perusahaan Sosial                                   | 15                     |  |  |
|               |  | Pembiayaan Ekosistem Payung   | 50                     |  |  |
|               |  | Dana Kelestarian Alam   | 100                    |  |  |
|               |  | Skim Pemacu Koperasi  | 100                    |  |  |
|               |  | Tabung Khas Pelancongan (TKP)                                       | 200                    |  |  |
|               |  | Dana Induk Payung (DIP)   | 200                    |  |  |
|               |  | Technology Adoption Fund (TECHAD)                                   | 300                    |  |  |
|               |  | Dana Pemangkin Ekosistem IBS 3.0                                    | 200                    |  |  |
|               | Grant for SMEs:                              |   |                        |  |  |
|               | Institution                                  | Program / Scheme  | Amount (RM million)    |  |  |
|               | Bank Pertanian Malaysia Berhad<br>(Agrobank) | Geran padanan penggantian pukat tunda Zon B dan pukat kenka dua bot | 10                     |  |  |
|               | Cradle Fund Sdn Bhd                          | CIP Sprint 2.0  | 8                      |  |  |
|               |  | SIP Spark 2.0   | 8                      |  |  |
|               |  | BIG 2.0   | 15                     |  |  |
|               |  | Program Pemecut Inovasi Startup (Accelerator & Re-Innovate)         | 13.8                   |  |  |
|               | Perbadanan Nasional Berhad (PERNAS)          | Program Pengantarabangsaan Francais                                 | 2                      |  |  |
|               | Suruhanjaya Koperasi Malaysia                | Pembangunan Perniagaan Melalui Koperasi (PPMK) 3.0                  | 6                      |  |  |
|               | (SKM)  | Pemerkasaan Rantaian Bekalan Koperasi (SCOPE)                       | 3                      |  |  |
|               |  | Transformasi Ekonomi Koperasi Pertanian/Perladangan (Tekad)         | 3.8                    |  |  |
|               |  | Penggalakan Koperasi Sebagai SE (SE.Rasi)                           | 1                      |  |  |
|               | Small Medium Enterprise                      | Business Export Program   | 6                      |  |  |
|               | Development Bank Malaysia (SME Bank)         | Maju Usahawan MADANI (MUM 2.0) oleh CEDAR                           | 2                      |  |  |

| Initiative                     | Key measures and initiatives  |   |  |  |
|--------------------------------|---|---|--|--|
| 17. Empowering                 | SME equity scheme:  |   |  |  |
| Local                          | Institution   | Program / Scheme  | Amount (RM million)  |  |
| Entrepreneurs                  | Cradle Fund Sdn Bhd   | Cradle Elevate  | 10   |  |
| (cont.)                        | Malaysian Industry-Government<br>Group for High Technology (MIGHT)  | Program Dana Pelaburan Strategik HGHV Bumiputera – VentureTECH  | 105  |  |
| 18. Plantation and Commodities | <ul> <li>Malaysian Sustainable Palm Oil (MS</li> <li>Anti-Palm Oil Discrimination Campai</li> <li>Implementation programme for MSP</li> <li>RM20m to support start-ups producing</li> <li>For smallholders:         <ul> <li>Oil Palm Replanting Incentive Progra<br/>Agrobank (RM100m)</li> <li>Extension of Latex Production Incent</li> <li>Extension of Consolidation Programm</li> <li>Expansion of 1,000 hectares of coco</li> <li>Sustainable Pepper Cultivation Programm</li> <li>Kenaf Industry Value Chain and Economics</li> <li>RM171m Rubber Production Incentive</li> <li>RM600m for the development of the Reserval</li> <li>RM50.7m for the development and main</li> <li>RM50.7m for the development and main</li> <li>RM50.7m for the development and main</li> <li>RM50.7m for the development</li> <li>RM50.7m for the development</li></ul></li></ul> | Discrimination Campaign and promote sustainable certification, including amon PO) certification across the entire palm oil supply chain (RM38.5m) | palm oil companies entive of 50% grant and 50% soft loan at a rate  C) certification (RM17.5m) eally competitive pepper production (RM16m) |  |

### **PILLAR 5: STRENGTHENING NATIONAL RESILIENCE**

| Initiative                        | Key measures and initiatives   |  |  |
|-----------------------------------|--|--|--|
| 19. Energy<br>Transition Agenda   | <ul> <li>RM150m National Energy Transition Fund</li> <li>Large-scale solar generation projects to be implemented with a total capacity of nearly 2 gigawatts under the LSS 6 programme, involving an estimated private investment of RM6 billion</li> <li>RM16.5bn worth of investment by GLICs and GLCs</li> <li>Renewable energy sources from biogas, biomass and small hydro will be expanded through an additional quota of 300 megawatts under the Feed-In Tariff programme, with expected operations starting as early as 2028</li> <li>The Corporate Renewable Energy Scheme (CRESS) is expected to generate RM3.5 billion in investments through company registrations that will produce 500 megawatts of energy RM1bn in financing under the Green Technology Financing Scheme (GTFS 5.0), open until 31 December 2026, with Government guarantee incentives of up to 80% for green technology in the waste sector and up to 60% for other sectors such as energy, water, transport and manufacturing</li> <li>Establishment of a taskforce comprising MoF, PETRA, KKR, SEDA, ST and JKR to facilitate Government Agencies in installing solar photovoltaic systems at Government premises for energy savings</li> <li>Encouraging the installation of solar PV systems through the Solar Accelerated Transition Action Programme (Solar ATAP) to increase participation of domestic and non-domestic electricity users in generating green energy for self-consumption</li> <li>Formulation of the Carbon Tax Act and its implementation mechanism will be aligned with the National Carbon Market Policy and the National Climate Change Bill</li> <li>RM28.6m for nuclear energy development programmes</li> <li>RM15.m for advocacy and education programmes on nuclear energy involving experts in schools and local communities</li> <li>RM10m to continue implementing the Conditional Energy Audit Grant and Energy Management Programme</li> <li>Individual income tax relief of up to RM2,500 expanded to include the purchase of food waste shredding mach</li></ul> |  |  |
| 20. Agriculture and Food Security | <ul> <li>The subsequent phase of the Tertiary Irrigation System – Construction of 15 tertiary blocks in MADA areas in Kedah and Perlis, expected to be completed in the second quarter of 2030</li> <li>RM1.28bn cost for the Jeniang Water Transfer Project to begin implementation next year</li> <li>RM100m fund to rehabilitate problematic paddy lands, upgrade infrastructure, and adopt modern technological paddy field models</li> <li>RM20m allocation to supply 6,400 paddy farmers with foliar fertilisers for rice nutrients and soil fertility enhancers</li> <li>RM300m allocation to continue collaboration with all state governments to optimise land use for agricultural projects</li> <li>For agro-entrepreneurs:</li> <li>RM1.1bn in financing by Agrobank for entrepreneurs to expand businesses and support automation and mechanisation in agricultural projects</li> <li>RM20m fund under Program Agropreneur NextGen KPKM</li> <li>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; application period for tax incentives extended until 31 December 2030</li> <li>Agricultural automation tax incentives for planting, livestock, apiculture, aquaculture and deep-sea fishing expanded to include selected livestock farming using closed-house systems</li> <li>RM27m for the sustainable agriculture agenda, including agri-food sustainability development and soil sustainability programmes</li> <li>RM4m for the Onion Industry Development Programme</li> </ul>   |  |  |

| Initiative                                | Key measures and initiatives  |  |  |
|---|---|--|--|
| 20. Agriculture and Food Security (cont.) | <ul> <li>For paddy farmers:</li> <li>RM2.62bn for various subsidies and assistance such as paddy price subsidies, crop subsidies, fertiliser subsidies, seed subsidies and paddy production incentives: Takaful Paddy Crop Protection Scheme (RM45m); Paddy Price Subsidy Scheme (RM825m); Allocation for Hill Paddy or Upland Rice (RM53.3m)</li> <li>Maintaining the ploughing incentive rate at RM160 per hectare per season</li> <li>Increasing the pesticide incentive to RM300 per hectare per season</li> <li>Introducing a Paddy Harvest Incentive of RM50 per hectare per season to offset diesel usage for combine harvesters</li> <li>For fishermen:</li> <li>RM160m for fishermen's cost of living allowance of up to RM300 per month (RM145m)</li> <li>Catching incentives (RM15m)</li> <li>Continuation of subsidised diesel at RM1.65 per litre</li> <li>RM20m for fishermen to upgrade vessels to reduce dependence on foreign skippers and crews (RM10m), and to replace Zone B trawl nets and twin trawl nets (RM10m)</li> <li>RM3m incentive for small ruminant breeders with existing livestock birth rates of at least 100%</li> <li>RM10m incentive for beef cattle breeders with existing livestock birth rates of at least 60%</li> <li>Expanding FELCRA rice estates in Sarawak</li> <li>RM10m Agricultural Investment Loan Fund Scheme (D3P) for bio-based and agrotechnology companies to commercialise agricultural products</li> <li>RM42.6m incentive for pineapple cultivation and farm infrastructure, including in Sarawak</li> <li>RM12m allocation for productivity development of other fruit crops such as durian, banana and coconut</li> <li>RM72.3m project for the development and maintenance of water resource and irrigation infrastructure in and outside granary areas to strengthen food security</li> <li>RM3.3m Safe Food Empowerment Promotion Programme through Good Agricultural Practices (GAP) in the crop subsector</li> </ul> |  |  |
| 21. Public order & National Defence       | RM21.7bn for the Ministry of Defence; RM21.2bn for the Ministry of Home Affairs  RM6bn to maintain and procure defence assets  RM1bn to maintain and procure assets for PDRM and uniformed bodies under the Ministry of Home Affairs  RM1.5bn to build and upgrade new facilities for uniformed bodies  RM486m The Pelantar Laut Tun Sharifah Rodziah, whose operational period ends in June 2026, will be replaced with a new Multi-Purpose Command Platform  Companies awarded MINDEF procurement contracts, through the PROTÉGÉ scheme, will provide employment opportunities for veterans and training programmes offering certificates and diplomas for ATM personnel before retirement; this includes funding for the Work-Based Learning (WBL) and Readiness To Work programmes  RM45m for the Border Control and Protection Agency (AKPS) to continue safeguarding national borders  To curb bullying:  The Anti-Bullying Bill 2025 will be tabled in the current Parliament session  The School Anti-Bullying Framework (SAFE) will serve as a comprehensive framework for school bullying prevention  More CCTVs will be installed, and personality and leadership programmes will be organised as preventive measures against bullying and ragging  Psychosocial support through group counselling sessions will be provided  Psychosocial support and mental health modules, and Safe Internet Campaign will be implemented to raise cyber awareness among school students  Rakan Muda will spearhead the "Fight Bullying" initiative among grassroots youth  Cybercrime Bill will be drafted  Cyber Security Agency (NACSA) to strengthen digital sovereignty and national cybersecurity  RM12m allocation for the National Scam Response Centre (NSRC)  |  |  |

| Initiative                                  | Key measures and initiatives   |  |  |
|---|--|--|--|
| 21. Public order & National Defence (cont.) | <ul> <li>RM20m to modernise digital forensic systems and expertise, as well as to establish a Behavioural Science Unit to analyse behavioural patterns and criminal profiling</li> <li>RM191.7m development allocation for prisons</li> <li>RM14.4m allocation for enforcement and Search &amp; Rescue activities</li> <li>RM10m procurement and replacement of critical medical equipment for the Malaysian Armed Forces (ATM)</li> <li>RM1m cyber security training for NCII entities</li> <li>RM30m allocation for Cyber Security Malaysia</li> <li>RM1m empowerment of the Junior Anti-Drug Squad</li> </ul>   |  |  |
| 22. Disaster<br>Management                  | <ul> <li>Rebuilding Sabah: <ul> <li>RM220m rental of external buildings for lecture sessions and relocation of students to nearby IPG campuses for IPG Kampus Gaya</li> <li>RM39m redevelopment of dilapidated buildings affected for trainee teachers</li> <li>Reconstruction of flood-damaged schools in Inanam, Sabah</li> <li>RM460m for NADMA</li> <li>All state governments will be allowed to use MARRIS funds to acquire Modular Steel Panel Bridges (Bailey Bridges) and to carry out drainage and culvert expansion works on damaged, undersized or unsafe state roads</li> <li>RM210m by SKMM to develop an Early Warning System (EWS) to strengthen disaster and crisis preparedness</li> <li>RM20m GDRN matching grant to support the welfare of disaster-affected victims</li> <li>RM2.2bn to continue implementing 43 high-priority Flood Mitigation Plan (RTB) projects according to schedule, including 12 new RTB projects beginning next year</li> <li>RM261m to prevent, maintain and repair slopes nationwide</li> <li>RM55m to clean and upgrade drains and culverts in all local authorities (PBT)</li> <li>Transformation of ageing critical sewerage infrastructure using Corrugated Metal Pipe (CMP)</li> <li>Expansion of MARRIS fund scope for repair or enlargement works on drains and ditches along damaged, dilapidated, undersized, or outdated state roads</li> <li>RM2.1m to strengthen the operations of the Volunteer Firefighter Squad (PBS)</li> <li>RM7.7m to enhance consular assistance capacity for the Malaysian diaspora</li> <li>Labuan IBFC will introduce the Program Insurans Kaptif MADANI as a new national risk management instrument</li> </ul> </li> </ul> |  |  |
| 23. Protection of Natural Heritage          | <ul> <li>RM250m Ecological Fiscal Transfer (EFT) Fund to support the states' role in conserving natural heritage; RM50m from EFT fund will be channelled as revenue to state governments</li> <li>RM80.8m for protection of endangered wildlife species through the continuation of the Biodiversity Protection and Patrol Programme (BP3), of which RM1.5m for 2,500 community rangers to protect our forests, benefiting the expertise of over 1,000 Orang Asli and nearly 700 veterans</li> <li>RM10m to conserve the natural heritage through the implementation of the National River Trail Programme (Denai Sungai Kebangsaan, DSK)</li> <li>RM300m to restore, maintain and clean rivers, including RM10m for Denai Sungai Kebangsaan</li> <li>RM4m for water resource management to ensure sustainability and public well-being in water catchment forest areas (HTA) and Eco-Forest Parks</li> <li>RM3m for environmental conservation education by DBKL</li> <li>RM0.7m for implementation of the Friends of the Environment (Rakan Alam Sekitar) initiative</li> <li>RM5.1m to strengthen sustainable financing mechanisms for the Forest Conservation Certificate (FCC) and develop the Forest Carbon Offset (FCO)</li> <li>RM4.8m for the Wildlife Conflict Mitigation Programme</li> <li>RM84m for a comprehensive Environmental Regulatory Programme</li> <li>RM120m for Forest Restoration Programme, including forest management towards climate change mitigation and adaptation</li> <li>RM7.5m to promote walking and cycling activities in Kuala Lumpur through the upgrading of related facilities</li> </ul>  |  |  |

### **PILLAR 6: BRIDGING GAPS, CREATING OPPORTUNITIES**

| Initiative                  | Key measures and initiatives   |  |  |
|-----------------------------|--|--|--|
| 24. Basic<br>Infrastructure | <ul> <li>RM3.3bn for rural basic infrastructure projects:</li> <li>RM2.5bn to build and repair village roads and rural link roads</li> <li>Over RM700m to supply clean water and electricity, including installation of hybrid solar panels in small villages across Sabah and Sarawak benefiting 3,200 homes</li> <li>Close to RM90m for bridge and village street lighting projects</li> <li>Special focus on completing basic infrastructure, including roads and clinic facilities on Pulau Banggi</li> <li>RM3bn to continue the National Non-Revenue Water initiative; replacement of over 820 kilometres of ageing pipes in Johor, Melaka, Negeri Sembilan, Kelantan, Pahang and Selangor; over RM400m to continue construction of underground dams, tube wells and storage structures in Padang Matsirat, Langkawi</li> <li>RM6.4m to continue the Village Community Centre initiative</li> <li>RM5m to continue the Clean Water Supply System Transformation Project (Hybrid) in the Eastern Sabah Safety Zone (ESSZONE)</li> <li>RM2m for the Clean Hydrogen Energy Electrification Project (HyPEReactor)</li> <li>To enhance internet connectivity:</li> <li>RM770m to implement the remaining Phase 2 Points of Presence (PoP) near selected schools and industrial areas in rural and remote locations</li> <li>RM780m to expand broadband coverage through the JENDELA 2 project to 2,700 new sites</li> <li>Following the transition to the dual 5G network model, committed to ensuring that both networks achieve 80% coverage by 2026</li> </ul>   |  |  |
| 25. Bumiputera<br>Economy   | <ul> <li>GLICs and GLCs continue to invest in Bumiputera economic development:</li> <li>RM40m to accelerate the scaling-up process of high-potential Bumiputera companies</li> <li>Ekuinas will grow its portfolio companies until they can be listed or acquired by PNB; PHB will strengthen Bumiputera strategic ownership in key real estate and business sectors</li> <li>Addition of 50 acres of Malay Reserve land in Bandar Malaysia</li> <li>The expansion project of Subang Airport and its surrounding area will be led by the Government and GLCs to ensure national interests and Bumiputera participation are prioritised</li> <li>RM20m by KWAP for a microfinancing programme for retirees, empowering entrepreneurship at the community level</li> <li>RM6bn for Bumiputera education opportunities through total allocations for MARA, Yayasan Peneraju and UiTM</li> <li>RM2.4bn for Bumiputera G1–G4 contractors</li> <li>RM10bn out of the RM30bn Government guarantee under SJPP dedicated to supporting Bumiputera entrepreneurs</li> <li>RM200m loan under Program Jaguh Serantau SME Bank for Bumiputera SMEs to penetrate export markets</li> <li>RM100m Program Penskalaan Usahawan Bumiputera MARA to support the growth of start-ups in high-value strategic sectors</li> <li>RM105m for VentureTECH to increase Bumiputera equity ownership in high-technology sectors</li> <li>RM139m for Yayasan Peneraju to develop 12,000 Bumiputera talents in professional and technology fields</li> <li>Enhancement of Bumiputera equity requirements for listed companies</li> </ul> |  |  |

| Initiative                       | Key measures and initiatives  |  |  |
|----------------------------------|---|--|--|
| 26. Women and Youth              | Achievement of 30% women on boards by the end of 2027, with at least 1 female board member in all top companies and 33.2% women on the boards of the top 100 companies Individual income tax relief of RM3,000 for expenditures on nursery or kindergarten fees for children up to 6 years old is expanded to registered childcare or transit centres for children up to 12 years old, effective from YA2026  RM200m Skim Paduri MADANI AlM financing up to RM30k and RM50m additional allocation for the Prosperity Empowerment and A New Normal for Indian Women (PENN 2.0) programmes  RM470m special financing programme to support women MSME entrepreneurs, of which RM270m is by Bank Rakyat, BSN, MARA and SME Bank  RM24.4 m Women Empowerment Programmes:  Expansion of the Kasih ibu Tunggal (KasihnITA) Programme through legal aid for eligible single mothers (RM3.9m)  Mammogram Test Subsidy (RM6m)  Cervical Cancer Screening Test Subsidy (RM5.5m)  PERANTIS (RM4m)  Other women empowerment and welfare programmes under the Department of Women's Development (RM3m)  Youth age limit set at 15 to 30 years starting next year  RM250m for Program Latihan Khidmat Negara 2026, including piloting PLKN at higher education level before full implementation in 2027  RM200m by Khazanah for Program K-Youth, providing on-the-job training to 11,000 non-degree youths in strategic sectors such as semiconductors, machinery, MRO, digital and technology  RM30m for Industrial Boot Camp (IBC) MARA  RM40m for Rakan Muda  RM150m BSN financing for youth  RM12m under Program Tunas Usahawan Belia Bumiputera SME Corp  RM8m Technical Entrepreneur Development (PROTECH) under MARA for graduates from public/private universities/IPMa  Covering costs for obtaining B2 class motorcycle licenses to support underprivileged youth in delivery services  RM10bn Step Up Financing Scheme introduced as a government guarantee specifically for young people seeking to own their first home, with lower loan repayments for the first 5 years  RM28m Tdap vaccination (tetanus, diphtheria, 8 pertu |  |  |
| 27. Welfare for<br>Target Groups | <ul> <li>RM412m allocation for the Orang Asli community</li> <li>Amendments to the Orang Asli Act 1954 to strengthen the rights and interests of Orang Asli related to land and welfare</li> <li>RM155m improvement of roads in Orang Asli villages</li> <li>RM13m upgrading of TABIKA premises in all Orang Asli villages</li> <li>Expansion of Program Chup Badui Sikulah, a floating school in Hulu Perak, to educate over 350 Orang Asli children</li> <li>RM3m implementation of Floating School Programme in Hulu Perak for Orang Asli students and Program Jom Belajar in Kalabakan, Sabah for indigenous Sabah students</li> <li>RM1.4bn assistance for Persons with Disabilities (OKU)</li> <li>RM12m expansion of Autism Service Centres (PPA) to Labuan, Sabah, and Sarawak to provide more inclusive access for autistic OKU</li> <li>Provision of 100 specially-equipped mobility vans by Prasarana</li> </ul>   |  |  |



| Initiative                                  | Key measures and initiatives   |
|---|--|
| 27. Welfare for<br>Target Groups<br>(cont.) | <ul> <li>Individual income tax relief for expenditures on screening and detection, early intervention programmes, and continuous rehabilitation treatment for children with disabilities aged 18 and under increased to RM10,000</li> <li>RM13.8m continuation of Community Feeding Programme for Orang Asli</li> <li>RM20m grants to NGOs managing institutions for the elderly, children, and OKU</li> <li>RM146m continuation of Community-Based Rehabilitation Programme (PDK) by JKM in collaboration with NGOs and State Governments to improve the living standards of OKU</li> <li>RM15m to continue the Second Chance agenda</li> <li>RM10m implementation of Refugee Registration Document (DPP) Programme and upgrading of 3 Immigration Detention Depots and 3 Baitul Mahabbah</li> <li>RM1m upgrading of vulnerable prisoner accommodations in 27 correctional institutions</li> <li>RM8m continuation of Local Social Support Centres (PSSS) to provide emotional support, guidance, and counselling</li> <li>RM4.5m provision of Transit Centre – Anjung Sinar to provide targeted social support, especially for children leaving JKM institutions</li> <li>RM2m covering part of operators' fees to encourage NGO participation in the Bursa Sosial platform</li> </ul> |

### PILLAR 7: ENSURING THE WELL-BEING OF THE PEOPLE

| Initiative                | Key measures and initiatives  |
|---------------------------|---|
| 28.Eradicating<br>Poverty | <ul> <li>Extend social enterprise income tax exemptions until 2028</li> <li>RM120m in matching grants will support GLIC and GLC foundations in addressing urban poverty, homelessness, and empowering former JKM shelter residents</li> <li>RM2m 2 Years Exit Program (2YEP)</li> <li>RM50 million to BSN to support 1,000 potential micro-entrepreneurs with business grant up to RM10,000, provide equipment for night market vendors, offer entrepreneurship mentoring in prisons, and run entrepreneurial training programs for university students</li> </ul>  |
| 29. Cost of Living        | <ul> <li>RM15bn worth of STR and SARA for 2026</li> <li>9 million STR recipients will also receive SARA of up to RM100 per month, totaling RM1,200 annually</li> <li>1 million STR recipients under e-Kasih will get up to RM200 per month (RM2,400 per year)</li> <li>RM600 distributed annually to single recipients or RM50 per month through SARA</li> <li>RM1bn to address cost of living issue:</li> <li>RM600m Payung Rahmah program in all DUN areas</li> <li>RM30m MADANI Agro Sales Program</li> <li>RM250m for distributing essential goods to remote areas in Peninsular Malaysia, Sabah and Sarawak</li> <li>RM55m for the continuation of the Electricity Bill Rebate Program of up to RM40 per month for hardcore poor households</li> <li>RM67m for the Price Standardisation Program ensures basic goods in Sabah, Sarawak, and Labuan match Peninsular Malaysia prices, supported by transport and distribution subsidies</li> <li>RM100 SARA will be given to 22 million Malaysians over 18 years old in mid February</li> </ul> |

| Initiative                           | Key measures and initiatives  |
|--------------------------------------|---|
| 29. Cost of Living (cont.)           | <ul> <li>RM3.1bn of welfare assistance from the Department of Social Welfare (JKM):         <ul> <li>Bantuan Warga Emas.</li> <li>Bantuan Kanak-kanak.</li> <li>Bantuan OKU Tidak Berupaya Bekerja.</li> <li>Bantuan Penjagaan OKU dan Pesakit Kronik Terlantar</li> </ul> </li> <li>RM22.9m assistance and support for parents and children with autism</li> </ul>   |
| 30.Citizen<br>Protection<br>Measures | <ul> <li>RM250m for the continuation of i-Saraan, i-Saraan Plus, and i-Suri initiatives, expected to benefit over 600,000 contributors</li> <li>The i-Suri initiative has been enhanced by raising the eligibility rate to 60</li> <li>RM400m for PERKESO to complete rehabilitation centers in Melaka, Perak, Terengganu, and the latest in Penang, with a total capacity of 250 beds</li> <li>RM100m for PERKESO allocation for the Self-Employment Social Security Scheme (SKSPS) provides government support covering up to 70% of contributions for first-time self-employed registrants in non-mandatory sectors, and 50% for second-year renewals, limited to 736,678 contributors</li> <li>Review of the EPF scheme to strengthen intergenerational transfers, allowing members' savings to be directly transferred to close family members' EPF accounts, particularly from children to parents</li> <li>Introducing an automatic EPF account registration mechanism for all Malaysian citizens upon reaching 18 years of age</li> <li>A one-off fund for a program requiring early health screenings by PERKESO for public transport and goods drivers aged 40–59, ensuring a safe and healthy work environment, limited to 113,947 drivers</li> <li>Up to RM1,000 worth of incentives from PERKESO for job seekers or fresh graduates accepting employment that requires relocation</li> <li>PERKESO has increased the maximum rate to RM170 per hemodialysis treatment</li> </ul> |
| 31. Preparing for an Ageing Nation   | <ul> <li>The 2026–2030 Strategic Framework and Care Action Plan, serving as a comprehensive strategic guide, will be launched at the ASEAN-level New Frontiers on Care Conference in November 2025</li> <li>Building a sustainable, high-quality, and accessible care ecosystem, including National Care Sector Standards for elderly care (RM5m), pilot senior housing in Kepala Batas, Pulau Pinang (RM300m commitment by KWAP), and a double tax deduction for companies sponsoring disability and KPWKM-recognised care worker training</li> <li>RM1.26bn for elderly welfare initiatives benefiting 180,000 individuals</li> <li>RM300m for the construction of 290 independent senior housing units in Penang for retirees and underprivileged groups, funded by KWAP</li> <li>RM2.5m to strengthen economic empowerment and the care ecosystem in Malaysia in collaboration with UNDP</li> </ul>   |

### PILLAR 8: STRENGTHENING PUBLIC SERVICES

| Initiative | Key measures and initiatives  |
|------------|---|
| 32. Health | Public healthcare infrastructure quality is being enhanced:  RM46.5bn Ministry of Health allocation (from RM43.5bn)  RM12bn maintenance of infrastructure in government hospitals and health clinics  RM100m to upgrade ward infrastructure including third-class wards in district hospitals nationwide  RM105bm for the procurement of advanced medical equipment alligned with current healthcare idsciplines  RM55bm for the implementation of the Future Healthcare initiative under SKMM, including strengthening internet connectivity in healthcare institutions  Congestion issues in public hospitals are being alleviated:  RM30m for implemental of MOH patients to military, university, and private hospitals through public-private partnerships  RM30m for implementing Primary Healthcare Service Reforms to ease hospital congestion, including strengthening health clinics to provide specialist services to the community  Construction of new hospitals, clinics, and additional blocks  Efforts to address rising medical inflation:  RM60m for the RESET initiative to be introduced to tackle rising medical inflation and enhance the quality of healthcare services  RM60m for the RESET initiative to be introduced to tackle rising medical inflation and enhance the quality of healthcare services  RM60m for the RESET initiative to be introduced to tackle rising medical inflation and enhance the quality of healthcare services  RM60m for the RESET initiative to be introduced to tackle rising medical inflation and enhance the quality of healthcare services  Full stamp duty exemption on small-value insurance policies or takaful contributions for self and spouse is extended for indee years, until 2028  Full stamp duty exemption on small-value insurance policies or takaful certificates purchased by individuals and SMEs is extended for three years, until 2028  Full stamp duty exemption on insurance policies and takaful dertificates purchased by individuals and SMEs is extended for three years, until 2028  Full stamp duty exemption on insurance policies |

| Initiative         | Key measures and initiatives  |
|--------------------|---|
| 32. Health (cont.) | To ensure the availability of medicines: Implementation of pilot projects through public-private partnerships for essential medicines to enhance the competitiveness of local industry players and ensure a secure national medicine supply The National Healthy Malaysia Agenda is being strengthened: Reviewing measures to ban the use of electronic cigarettes Excise duties on tobacco products will rise from 1 November 2025: cigarettes by 2 cents per stick, cigars, cheroots, and cigarillos by RM40 per kilogram, and heated tobacco products by RM20 per kilogram of tobacco content Extends duty and sales tax exemptions on nicotine replacement products, including mist and lozenges, until 31 December 2027 Raise excise duties on spirits by 10% starting 1 November 2025 A portion of the additional revenue will fund MOH's Lung Health Initiative, covering prevention, screening, treatment, and control programs RM52m for the National Healthy Malaysia Agenda (ANMS) aims to improve public health through public health campaigns and the National Health Screening initiatives RM10m Continuing the MyGenom initiative to enable more effective disease detection RM25m allocation for the treatment of rare diseases RM50m allocation for the MADANI Medical Scheme RM6.5bn for the procurement of medicines, reagents, vaccines, and consumables RM94.6m to address mental health issues through various initiatives RM31.3m to expand the use of the Cloud-based Clinical Management System (CCMS) in health clinics for more efficient, secure, and modern patient information and daily operations management RM10m dental health initiative RM36m dental health initiative RM384m health Care Scheme for the B40 Group (PeKA B40) Tax-deductible vaccination expenses are expanded to cover all vaccines registered and approved by the Ministry of Health |
| 33. Education      | <ul> <li>RM66.2bn Ministry of Education allocation</li> <li>Maintaining the quality of school infrastructure remains a MADANI priority.</li> <li>RM1bn for the upgrading 520 underprivileged schools nationwide, with a PILLAR on Sabah and Sarawak</li> <li>RM860m for the maintenance of all types of schools, including special education schools and KPM institutions, covering dilapidated toilets, prayer rooms, canteens, and staff rooms</li> <li>Construction of 38 new schools, 350 preschools, and 6 pre-schools (Tabika Kemas) centers</li> <li>RM100m Modular Building and IBS Construction Program in KPM Institutions</li> <li>RM281m KPM Modular and IBS Building Construction Program</li> <li>RM8.4m for the implementation of the TABIKA SmartClassroom@KEMAS Program in 14 states, including rural areas, by enhancing facilities such as teacher training, ICT equipment, and internet access</li> </ul>   |

| Initiative    | Key measures and initiatives   |
|---------------|--|
| 33. Education | RM5.6m for the various type of school assistance   |
| (cont.)       | RM944m for the Per Capita Education Grant Assistance   |
|               | RM22.5m for the Per Capita Preschool Grant Assistance  |
|               | Sekolah Jenis Kebangsaan Tamil Ladang Jeram in Pahang and Sekolah Jenis Kebangsaan Cina Aik Hua in Perak will be rebuilt   |
|               | RM100m to build extra classrooms in over 100 high-density schools  |
|               | RM100m to build 350 classrooms in the existing building  |
|               | RM150m for the Federal Small Scholarship for school children   |
|               | RM870m for the Supplementary Food Program to provide nutritious meals to 870,000 students  |
|               | RM180m additional allocation to the General School Assistance to expand its coverage to low-income students up to Form 5   |
|               | RM800m will be distributed to 5.2 million government school students, providing RM150 each through the Early School Assistance   |
|               | 6 new childcare and KEMAS preschools will be built, including Tabika Kampung Lendu in Melaka and Taska Kampung Gong Beting in Dungun, Terengganu                             |
|               | RM20m to upgrade childcare facilities nationwide   |
|               | RM70m to provide smart TVs to 10,800 preschool, childcare, and KEMAS classrooms nationwide   |
|               | RM24m to implement Smart Classes in 400 KPM educational institutions   |
|               | RM242m to upgrade infrastructure facilities for Special Needs Students (MBPK) in KPM schools includes building two new special education schools—as well as adding 35 needs. |
|               | blocks for special education in existing schools. (A discrepancy compared RM700m announced during the Budget speech)   |
|               | RM5m to expand and strengthened the Special Bud Classes in every state for children with mild autism   |
|               | RM270m to provide 150,000 Special Needs students allowance of RM150 monthly  |
|               | RM20m to maintain 1,781 Unity Preschools nationwide through building repairs, improved basic facilities, and refurbishment of learning equipment                             |
|               | RM30m to strengthened the Anak Kita Program under Yayasan Hasanah to address issues of child school dropout  |
|               | RM30m to upgrade school facilities and equipment to be disability-friendly   |
|               | RM114.7m to empower teachers through in-service training in preparation for the 2027 Curriculum, including STEM pedagogy training and leadership development                 |
|               | RM18.6bn allocation to Ministry of Higher Education  |
|               | RM4.4bn to Government and GLIC to support all youth in pursuing higher education through scholarships, loans, and educational allowances                                     |
|               | Double tax deductions on scholarship expenses for eligible students  |
|               | RM5m to the Celik MADANI program by PNB will continue, providing an initial RM50 investment in ASB or ASM to 200,000 students  |
|               | RM26m to The Ikhtiar Dapur MADANI initiative by KPT  |
|               | Dapur MADANI provides food assistance to university students through CSR contributions from the private sector   |
|               | RM20m to the MySiswa Job on Campus (JoC) program   |

| Initiative               | Key measures and initiatives   |
|--------------------------|--|
| 33. Education<br>(cont.) | <ul> <li>KWSP and UM will pioneer a collaboration to build 1,000 residential units at the University of Malaya</li> <li>RM920m to UM to develop of a New Green-Building Concept Student Residence Complex</li> <li>RM120m to provide scholarships/free education for low-income and hardcore poor students based on e-Kasih data</li> <li>RM90.5m for repayment exemption for First-Class Bachelor's Degree (First Class) PTPTN loans for B40 and M40 borrowers in public universities</li> <li>Impose travel restrictions for PTPTN borrowers with arrears exceeding five years and a monthly income over RM6,000, or for borrowers working abroad</li> <li>RM5m to expand the eligibility criteria for the Ihsan Matching Grant (GAPAI) of up to RM5,000 on SSPN savings for students pursuing public university education to families earning up to RM6,000</li> <li>RM15m to allocate an additional 1,500 undergraduate seats in 10 fields of study will be offered across 5 research universities</li> <li>RM1.9bn to the UM Health Metropolis (UMHM) development projects</li> <li>RM15m to the UMK Health Technopolis Development project to construct a research and learning center with modern, affordable treatment facilities for the local community</li> <li>The Government has approved public university teaching hospitals to establish endowment funds</li> <li>RM16m to support the aerospace ecosystem through:</li> <li>RM13m Universiti Malaysia Perlis (UniMAP) by developing Malaysia's first Air Space Sandbox for testing low-altitude aviation technologies</li> <li>RM3m to support the development of the maritime aviation industry and training local amphibious pilots through enhancements at Universiti Tun Hussein Onn Malaysia (UTHM)</li> <li>RM128m to continue the Bahasa Malaysia and Strengthening English (MBMMBI) program through curriculum and support initiatives to enhance proficiency in both languages</li> <li>To continue the HIPMaX: Malaysian Folklore StoryFest program as an English language proficiency initiative, integrating language, culture, and MADANI values</li></ul> |
| 34. People's<br>Mobility | RM197m to enhance the nationwide Scheduled Bus Transformation (SBST) program, including new routes and additional buses in Johor Bahru to support the RTS Link service RM209m to extend the air transport service subsidies for rural residents in Sabah and Sarawak RM3.9m to expand the MyRailLife pass initiative to children under six, school students, and persons with disabilities, offering unlimited free travel Improvements and expansions in public transportation networks Expansion of bus and van services with wider coverage, modern features, and eco-friendly design The Ministry of Transport (MOT) is in the final phase of setting speed limits for heavy vehicles RM2.5bn for the Federal Road Maintenance Program: RM700m for road maintenance specifically allocated to G1–G4 class contractors RM1.8bn for routine, periodic, and emergency road maintenance works RM5.6bn for the provision of MARRIS to states for maintaining state roads nationwide, including, repair/expansion of drains and ditches along state roads and procurement of Bailey bridges RM30m to accelerate minor district repairs by strengthening the role of District Engineers, including enhancing response efficiency and prompt action for public complaints via the MYJalan app RM208m to enhance road user safety by addressing accident-prone areas or blackspots, and maintaining streetlights and traffic signals, including smart traffic lights RM30m for the installation of at least 3,000 lights on major highways by LLM, particularly at blackspot locations, to improve driving visibility and reduce accidents, supplemented by additional lights from concession companies   |

| Initiative                       | Key measures and initiatives   |
|----------------------------------|--|
| 35. People's<br>Mobility (cont.) | <ul> <li>RM15m to upgrade existing traffic lights to Al-enabled Smart Traffic Lights with smart cameras to automatically and efficiently monitor traffic conditions, addressing congestion at intersections nationwide</li> <li>Cost of purchasing speed-limiting devices for heavy vehicles be eligible for Accelerated Capital Allowance, claimable within one year</li> <li>RM10m allocation for a matching grant of up to RM2,000, matched by local vehicle manufacturers, another RM2,000, for approximately 5,000 owners of vehicles over 20 years old</li> <li>Continuing the free distribution of 70,000 helmets in 2026 for road safety, funded in part by revenue from special vehicle number plate sales</li> <li>RM22m for the operational cost subsidies for less economical train services in the East Coast region</li> <li>Contributors to community, charitable, and infrastructure projects, including 3,200 new bus stops, are eligible for tax deductions equal to their donation under Sections 34(6)(h) or 34(6)(ha) of the Income Tax Act 1967</li> <li>PERKESO's Health Screening Program is expanded to include public transport and goods drivers</li> </ul>   |
| 36. People's Residence           | RM40m for the planning and initiation of vertical school projects, built over four stories, to optimise space in high-density areas  RM672m for the People's Residency and Rumah Mesra Rakyat Program  RM20bn to enhance Government guarantees under SJKP for housing financing to benefit over 80,000 first-time homebuyers  RM143m for the maintenance of low- and medium-cost public strata housing (RM106.3m) and upkeep/replacement of lifts under the Strata Affordable Housing Maintenance Program (LIF) (RM36.9m)  RM87m allocated to improve basic infrastructure in Kampung Baru Cina and Indian villages  RM413m for People's Welfare Housing Program (PPRS) comprising 530 units  RM60m for the Urban Poverty Eradication Program (PPRS) comprising 530 units  RM60m for the Urban Poverty Eradication Program (PPKB) refurbishing 2,253 units and construction 166 new units  RM100m for the B40 Coastal Fishermen Housing Assistance  RM500m to repair or rebuilt over 3,300 dilapidated homes including 380 fishermen's houses  RM100m for the Indian Community Socioeconomic Empowerment Program (MITRA)  RM95.2m to repair and upgrade of public toilets and parks in all local authorities  RM10m to strengthened the community preparedness for fires and drowning through the Fire and Rescue Community Program  Organise community and senior clitizen sports activities, such as basic swimming, martial arts, and recreational programs  RM10m to strengthened the community cohesion in PRR and rural areas through the Community Sports Program, featuring local sports activities  RM50m to repair and maintain registered Non-Islamic Places of Worship (RIBI) nationwide, including Sabah and Sarawak  RM100m for Madani Residency Programme  A full stamp duty exemption on sale and loan agreements for homes priced up to RM500,000 for first-time homebuyers, extended for two years until 31 December 2027  RM300m for the maintenance of PA And PPR buildings by DBKL  RM50m for the K2K Kuala Lumpur initiative is implemented to encourage PA/PPR residents to take greater responsibility |

### **PILLAR 9: BUILDING IDENTITY, DEVELOPING HUMAN VALUES**

| Initiative                                 | Key measures and initiatives  |
|--|---|
| 38. Uplifting the Dignity of Islam         | <ul> <li>RM2.6bn overall allocation for Islamic affairs</li> <li>RM150m for the provision of funds for the maintenance of religious institutions</li> <li>RM10m TVET Tahfiz Program by Giat MARA</li> <li>RM4m Strengthening Islamic institutions as the core of community well-being</li> <li>Preliminary development works for the Madinatul Quran Complex in Putrajaya</li> <li>RM745m in monthly allowances for imams, KAFA teachers, and takmir teachers</li> <li>RM20,000 grant for all registered rakyat religious schools under JAKIM</li> <li>KWSP Hajj Withdrawal facility increased from RM3,000 to RM10,000 to assist prospective pilgrims</li> <li>Early withdrawal facility for GCR expanded for Hajj purposes, limited to RM10,000 for public servants</li> <li>RM35m for the special RM500 contribution granted to over 70,000 Islamic institution staff—including imams, bilals, siaks, and KAFA teachers—in recognition of their role in promoting Islamic values</li> </ul>  |
| 39. People's Unity                         | <ul> <li>RM55m allocation to expand programs promoting national unity and identity</li> <li>RM46m for the construction of 3 new community unity centres</li> <li>RM30m for the matching sports grants are allocated to registered sports associations and NGOs that organise community sports activities involving multiple ethnic groups to foster social unity</li> <li>RM55m to strengthened Rukun Tetangga MADANI as a bridge to drive family-oriented activities within multi-ethnic neighborhoods</li> <li>RM20m to strengthened the Jiwa Murni (PJM) MADANI Program to deepen ties between the military and communities through community service initiatives</li> <li>RM16m for repair and maintenance of community centers to enhance public service delivery to citizens</li> <li>RM66.9m for a live broadcast of Malaysia's most popular sorts on RTM channels</li> <li>RM2m for MAPPA running activities will continue to foster unity and promote a healthy lifestyle among civil servants</li> <li>RM1m for the development of programs to preserve Siamese culture and language</li> </ul> |
| 40. Sports<br>Development                  | <ul> <li>RM584.9m for the national sports development</li> <li>RM20m to the Community Sports Fund that aims to encourage active participation of NGOs, sports club, and youth in grassroots sports development</li> <li>RM1m to provide medical needs and sport equipment for former national athletes through the National Athletes Welfare Foundation (YAKEB)</li> <li>RM3m for the organisation of National Sports Day</li> <li>Allows LHDNM-approved organisations to allocate a portion of their income for sports activities</li> </ul>   |
| 41. Malay<br>Language and<br>Creative Arts | <ul> <li>RM110m to support creative production through the National Citra Production Fund (CITRA) themed on nationhood and the Film in Malaysia Incentive (FIMI) to encourage high-quality film projects and more national theme based</li> <li>RM10m for CEMI incentive supports concerts by local and international artists in Malaysia to attract foreign tourists for Visit Malaysia Year 2026</li> <li>RM20m to support the digital creative ecosystem, particularly local animators and game developers</li> <li>Procurement policy relaxed for all ministries to acquire merchandise and digital content</li> <li>RM10m to strengthened the creative industry through the Kembara RIUH program as a platform to promote arts, culture, and the economy</li> <li>RM53.5m allocation for the National Academy of Arts, Culture, and Heritage (ASWARA)</li> </ul>   |

| Initiative                    | Key measures and initiatives   |
|-------------------------------|--|
| Initiative 42. Civil Servants | <ul> <li>RM2.17bn for construction, maintenance, and repair of government quarters for personnel including doctors, nurses, military, police, teachers, firefighters, and prison staff, among others</li> <li>The LPPSA Young Employees Financing Scheme will be extended until 31 December 2026, benefiting an estimated 48,000 public servants under 30 years old</li> <li>RM150m for the Construction of 2,586 units under the Malaysia MADANI Public Servants Housing Program, with some expected to be completed by the end of 2026</li> <li>The maximum LPPSA financing limit will be increased to RM1 million, in line with salary adjustments and rising property market prices</li> <li>RM25m for the BSH (Cost of Living Allowance) for 4,000 retired KEMAS contract staff will be increased from RM300 to RM500 per month</li> <li>RM150m for the construction of 2,586 new units under the Malaysia MADANI Public Servants Housing Program, with partial completion expected by the end of 2026</li> <li>RM60m for the one-off Malaysia Service Medal awarded to nearly 120,000 non-pensionable military personnel in recognition of their sacrifice and valor</li> <li>Expand the Performance-Based Incentive Assistance to the Management and Professional Group in the Federal public service, subject to specified conditions</li> <li>RM900 monthly Living Allowance will be provided to the recipients of the Federal Training Award (HLP) Partial Scholarship starting 2026</li> <li>All Cabinet members will continue to have a 20% salary deduction</li> <li>Phase 2 of the Public Service Remuneration System (SSPA) will take effect in January 2026</li> </ul> |
|                               | <ul> <li>RM250 from Special Financial Assistance will be provided to all government retirees, including both pensioned and non-pensioned veterans</li> <li>RM35m to provide RM500 special contribution to 700,000 religious teachers</li> <li>RM900 Living Allowance provided monthly to recipients of the HLP Partial Scholarship</li> <li>RM1.5m for civil servants to continue of INTAN's APEL.Q Program, where the Government will cover 50% of tuition fees, up to RM15,000, for civil servants with over 15 years of service to pursue higher-level studies</li> </ul>   |
|                               | <ul> <li>RM900 Living Allowance provided monthly to recipients of the HLP Partial Scholarship</li> <li>RM1.5m for civil servants to continue of INTAN's APEL.Q Program, where the Government will cover 50% of tuition fees, up to RM15,000, for civil servants with</li> </ul>  |

#### Measures described in Tax Appendix but not stated in Budget Speech / Touchpoints

#### Appendix 5: Expansion of individual income tax relief for environmental sustainability and home safety-related expenditure

• Expand the Scope of individual income tax relief of up to RM2,500 for expenses on electric vehicle charging facilities and food composting machines to include household food waste grinders; and Closed-Circuit Television (CCTV) for home use for YA2026-YA2027; the tax relief claim for the purchase of food waste grinders and / or CCTV is allowed once within a period of 2 years of assessment

#### Appendix 7: Imposition of income tax on profit distributions received by partners in a limited liability partnership

• Partners are required to report the profit distributions received from LLP in the Income Tax Return Form for the basis year of the year of assessment in accordance to the defined threshold, formula, and tax rate

#### Appendix 8: Review of tax exemption on income received from outside Malaysia

- Expand the scope of the tax exemption on dividends from investments and gains from the disposal of capital assets abroad received by resident companies and LLPs to cooperative societies and trust bodies
- Tax exemption on dividends from investments and gains from the disposal of capital assets abroad received by resident companies, LLPs, cooperative societies and trust bodies as well as FSI for unit trusts, be given for 4 years, effective from 1 Jan 2027 to 31 Dec 2030

#### Appendix 9: Review of income tax deduction for cost of listing on Bursa Malaysia

• Expand the tax deduction of up to RM1.5 million on listing expenses for technology-based companies and MSMEs in the energy and utilities sectors; this tax deduction effective for YA2026-YA2030

#### Appendix 11: Review of income tax exemption on sustainable and responsible investment sukuk and bond grant scheme

- Increase grant allocation for external review expenses from 90% to 100%, limited to a maximum grant amount of RM300,000
- Financial instruments under the SRI Sukuk and Bond Grant Scheme be expanded to sukuk and bonds that conform to the ASEAN Taxonomy for Sustainable Finance
- The income tax exemption be extended for 3 years from 1 Jan 2026 to 31 Dec 2028

#### Appendix 18: Exemption of stamp duty on contract notes for buy-side transaction of structured warrants

• Stamp duty exemption on the contract notes for buy-side structured warrant transaction be given for 3 years, for transactions executed from 1 Jan 2026 to 31 Dec 2028

#### Appendix 19: Extension of stamp duty exemption on contract notes for exchange traded funds listed on Bursa Malaysia

Extend stamp duty exemption on contract notes for ETFs transactions for 3 years from 1 Jan 2026 to 31 Dec 2028

#### Appendix 21: Accelerated Capital Allowance on capital expenditure for plant, machinery and ICT equipment

- Qualifying capital expenditures be given Accelerated Capital Allowance (ACA) can be fully claimed by companies within 2 years, effective from 11 Oct 2025 to 31 Dec 2026
- Qualifying expenditure: (i) Procurement of Heavy Machinery from local manufacturers; (ii) Procurement of plant and general machinery acquired from local manufacturers; (iii) Purchase of ICT equipment and computer software; and (iv) Consultation, licensing and incidental fees related to customised computer software development

#### Appendix 25: Extension of tax incentive for commercialisation of research and development findings

• Tax deduction for companies investing in subsidiary companies that commercialise non-resource-based R&D findings by public research institutions, public institutes of higher learning and private higher education institutions be extended for 5 years, effective 1 Jan 2026 to 31 Dec 2030

#### Appendix 33: Review of tax incentive for employing vulnerable persons

• Extend tax incentive to Prisoners Released on Licence under Prisons Act 1995 as well as drug / substance dependants and misusers undergoing treatment and rehabilitation provided under the Drug and Substance Dependants and Misusers (Treatment and Rehabilitation) Act 1983; effective YA2026-YA2030

#### Appendix 34: Extension of tax incentive for employing senior citizens

Extend tax deduction for employers hiring senior citizens for 5 years, effective YA2026-YA2030





# **THANK YOU**

Address: 6th Floor, Wisma Chinese Chamber,

258, Jalan Ampang,

50450 Kuala Lumpur, Malaysia.

Tel : 603 - 4260 3116 / 3119

Email : serc@acccimserc.com

Website: https://www.acccimserc.com

For our website:



For our LinkedIn:



