



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

Ministry of Finance's Economic and Fiscal Outlook and National Budget 2027

Balancing Between Fiscal Prudence and
Spending Priorities

9 October 2026



Part 1

2027 Budget Snapshots

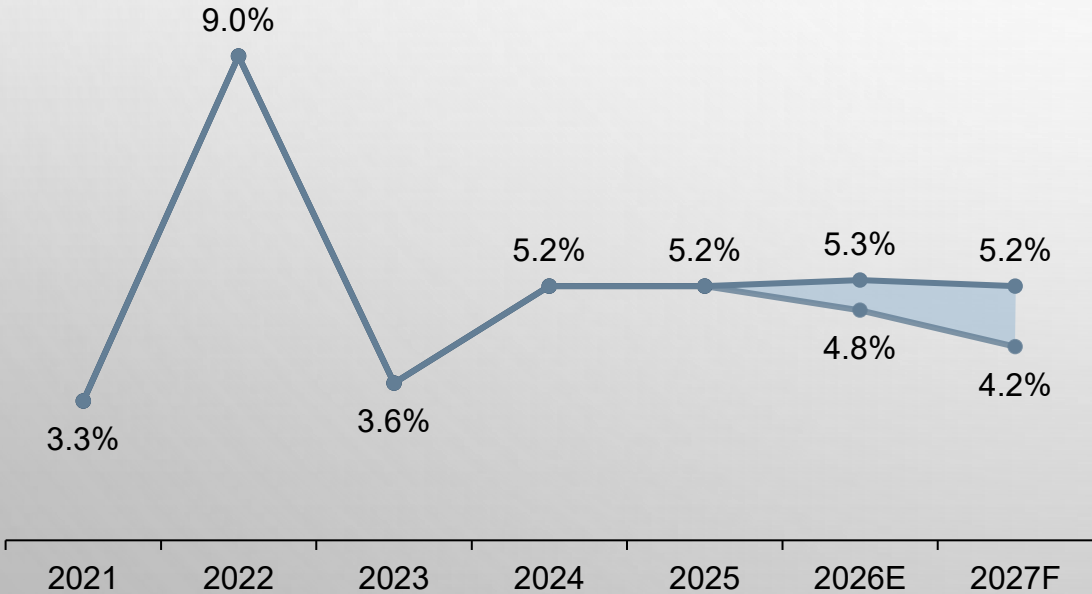
Fiscal Outlook & Economic Prospects

Budget 2027: Economic outlook and Fiscal position

Economic Growth

Moderate economic growth of **4.2%-5.2%**
(point estimate at **4.6%**) in 2027

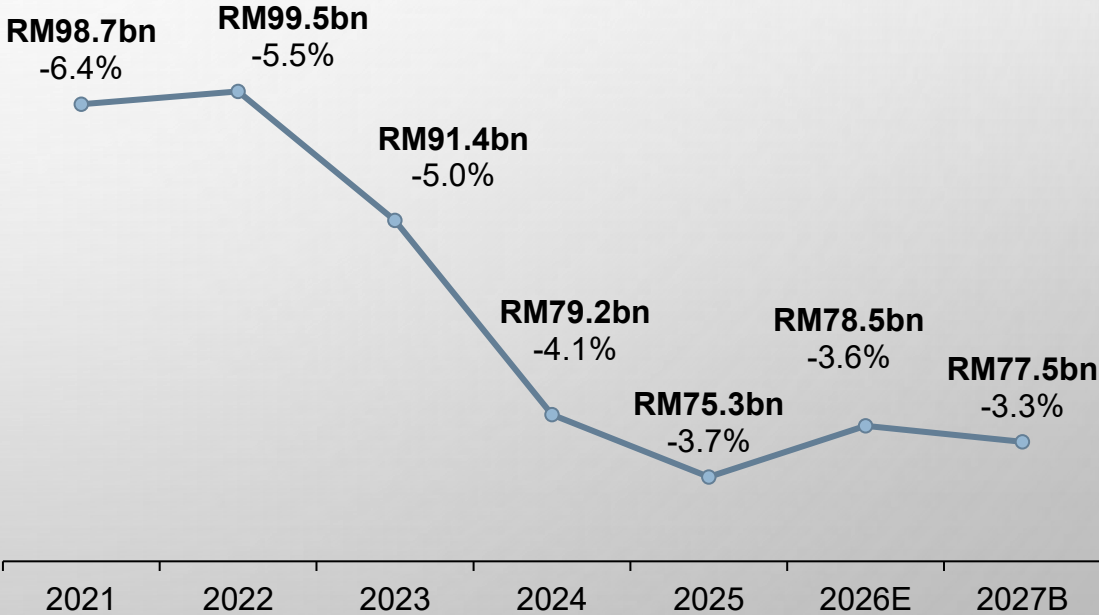
Real GDP growth (%)



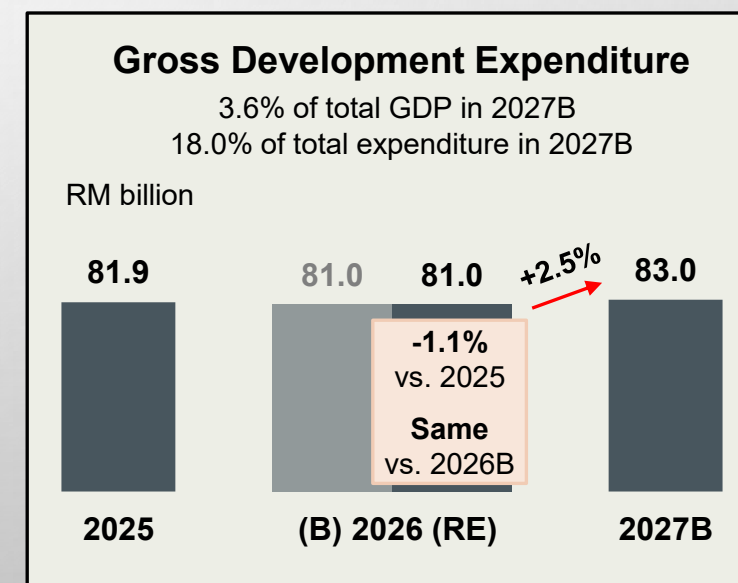
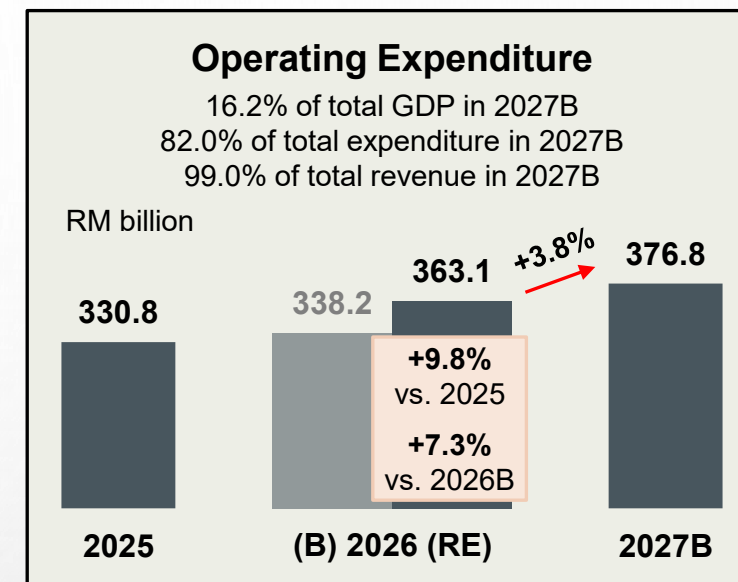
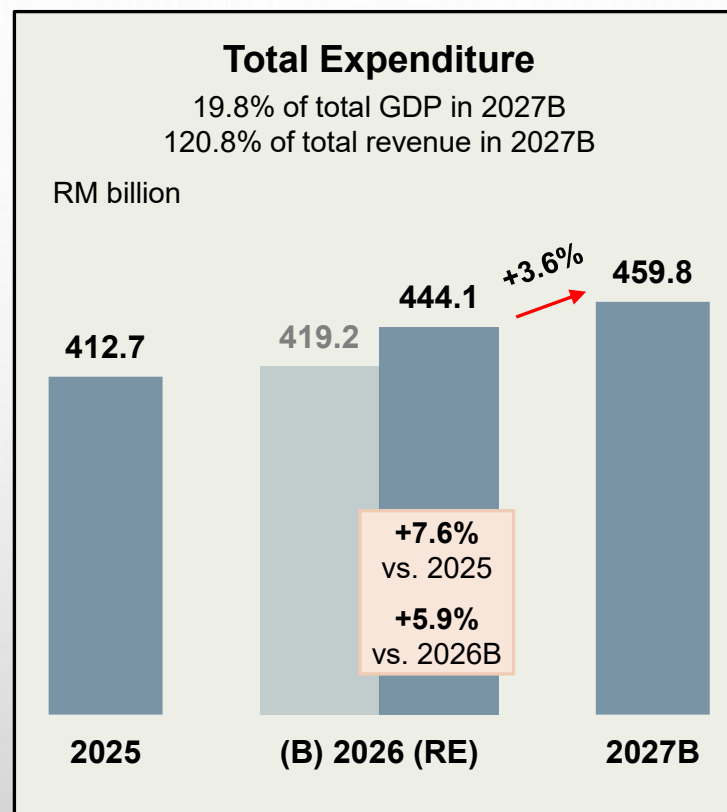
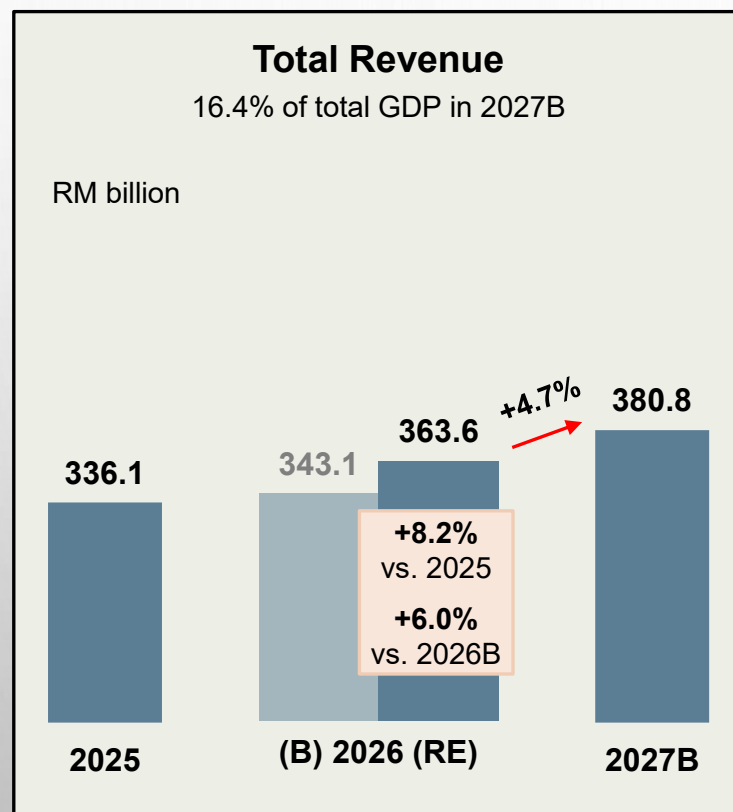
Fiscal Deficit

Gradual fiscal consolidation is on track
Persistent fiscal deficits for the **30th** consecutive year in 2027,
amid reducing deficit ratio for the **6th** consecutive year since 2022

Fiscal deficit
RM billion (% of GDP)



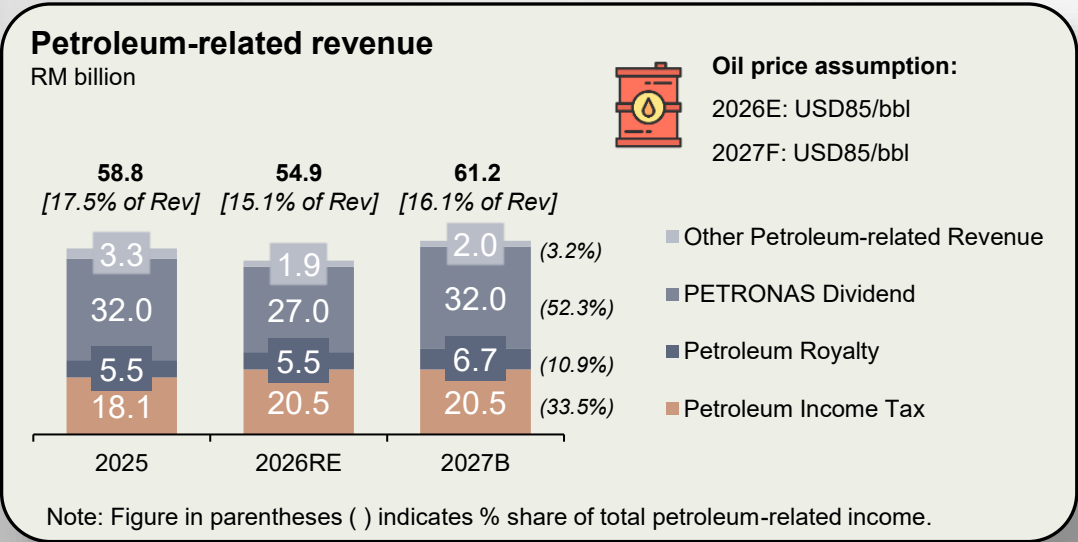
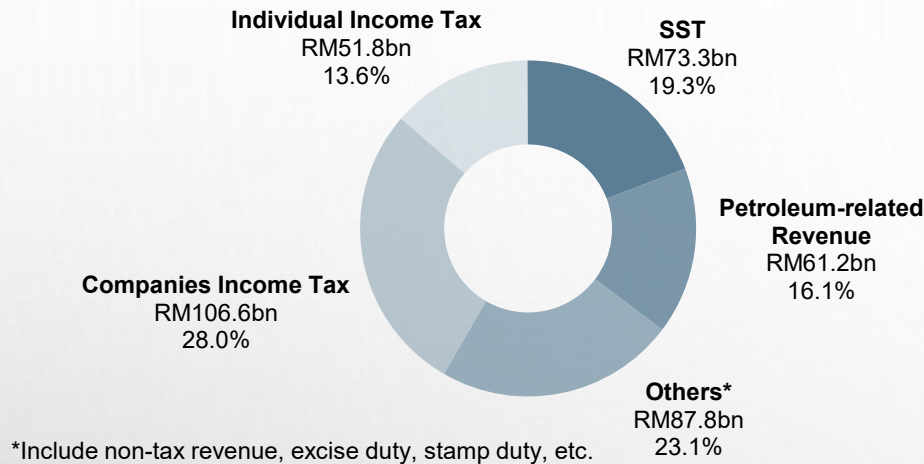
A moderately expansionary Budget to support domestic demand



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

Revenue

For 2027B



Major Components	2026RE (RM billion)	Share (%)	2027B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Direct tax	191.0	52.5	199.9	52.5	+8.9	+4.6
Companies income tax	101.7	28.0	106.6	28.0	+4.9	+4.8
Individual income tax	48.8	13.4	51.8	13.6	+3.0	+6.2
Indirect tax	89.8	24.7	97.2	25.5	+7.4	+8.3
Sales tax	28.8	7.9	30.9	8.1	+2.1	+7.3
Service tax	38.2	10.5	42.5	11.1	+4.3	+11.1
Non-tax revenue; non-revenue receipts; etc.	82.9	22.8	83.8	22.0	+0.9	+1.1
Interest & return on investment from PETRONAS	27.0	7.4	32.0	8.4	+5.0	+18.5
Federal Government (FG) Revenue	363.6		380.8		+17.2	+4.7

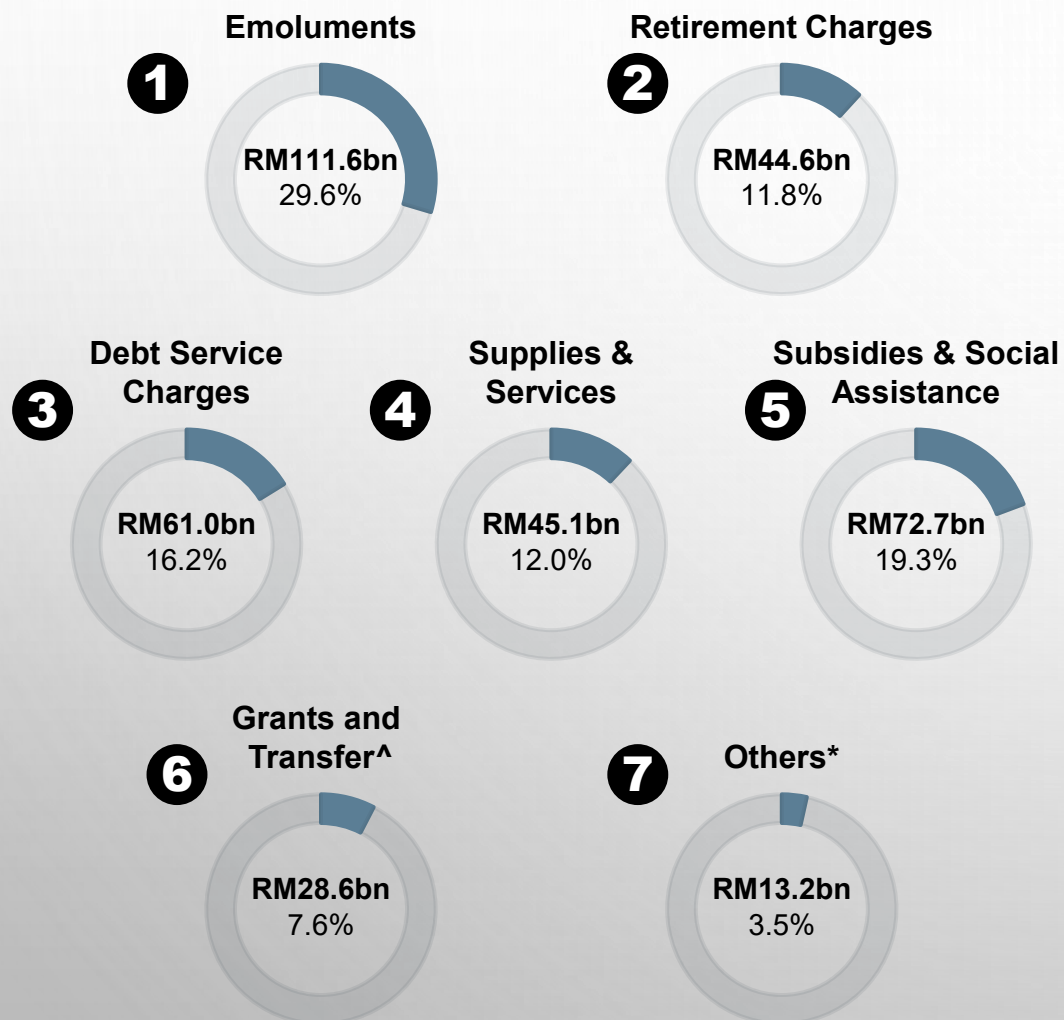
Operating Expenditure (OE): Where does the money go?

For 2027B

Note: % indicates share of Operating Expenditure of Budget 2027

^ To state governments and statutory bodies only

* Includes asset acquisition, refunds and write-offs, grants to statutory bodies, etc.



Major Components	2026RE (RM billion)	Share (%)	2027B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Emoluments	108.4	29.9	111.6	29.6	+3.2	+2.9
Retirement charges	42.8	11.8	44.6	11.8	+1.8	+4.2
Debt service charges	57.3	15.8	61.0	16.2	+3.7	+6.5
Supplies and services	41.6	11.5	45.1	12.0	+3.4	+8.2
Subsidies and social assistance	74.5	20.5	72.7	19.3	-1.7	-2.3
By sector	2026RE (RM billion)	Share (%)	2027B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	22.9	6.3	21.8	5.8	-1.1	-4.8
Social	127.3	35.1	133.6	35.5	+6.3	+4.9
Security	32.0	8.8	33.8	9.0	+1.8	+5.7
General administration	15.4	4.3	18.2	4.8	+2.8	+18.1
Others**	165.5	45.6	169.4	45.0	+4.0	+2.4
Operating Expenditure	363.1		376.8		+13.8	+3.8

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

The ballooning financial aid and fuel subsidies fiscal burden

Financial aid assistance

Announced allocation
(RM billion)

No. of recipients
(million person)

2020 (BSH)	5.0	5.0
2020 Mar (BPN)	10.0	8.5
2021 (BPR)	6.5	8.1
2021 May (PEMERKASA +)	2.1	8.1
2021 Aug (PEMULIH)	4.5	11.0
2022 (BKM)	8.2	9.6
2023 (STR)	8.0	9.0
2024 (STR)	10.0	9.0
2025 (STR + SARA*)	15.0	9.0 [#]
2026 (STR + SARA*)	15.0	9.0 [#]
2027B (STR + SARA*)	16.0	9.0 [^]

*Includes one-off cash payment of RM100 to Malaysian adult citizens under Penghargaan SARA (2025), SARA untuk Semua (2026) and SARA MADANI (2027, disburse twice totalled RM200)

Scheme

BSH	Bantuan Sara Hidup	BKM	Bantuan Keluarga Malaysia
BPN	Bantuan Prihatin Nasional	STR	Sumbangan Tunai Rahmah
BPR	Bantuan Prihatin Rakyat	SARA	Sumbangan Asas Rahmah

[#] 22 million for Penghargaan SARA / SARA untuk Semua

[^] 13 million (excl. monthly SARA recipients) for SARA MADANI

STR & SARA

Recipient category	Monthly income	No. of children	STR 2026 (RM)	SARA 2026 (RM)	Total 2026 (RM)	STR 2027 (RM)	SARA 2027 (RM)	Total 2027 (RM)
Household	RM2,500 or lower	0	700	1,200	1,900	200	1,800	2,000
		1-2	1,200	1,200	2,400	600	1,800	2,400
		3-4	1,700	1,200	2,900	1,100	1,800	2,900
		≥5	2,200	1,200	3,400	1,600	1,800	3,400
	RM2,501- RM5,000	0	200	1,200	1,400	200	1,200	1,400
		1-2	450	1,200	1,650	450	1,200	1,650
		3-4	700	1,200	1,900	700	1,200	1,900
		≥5	950	1,200	2,150	950	1,200	2,150
Single senior citizen (≥60 years old)	RM5,000 or lower	0	600	600	1,200	600	600	1,200
Single (21-59 years old)	RM2,500 or lower	0	-	600	600	-	600	600

Note: Poor and hardcore poor will receive additional SARA of RM1,200 / RM600 per year (or RM100 / RM50 per month). Highlighted in blue represents changes compared to 2026.

Source: Various budget announcements

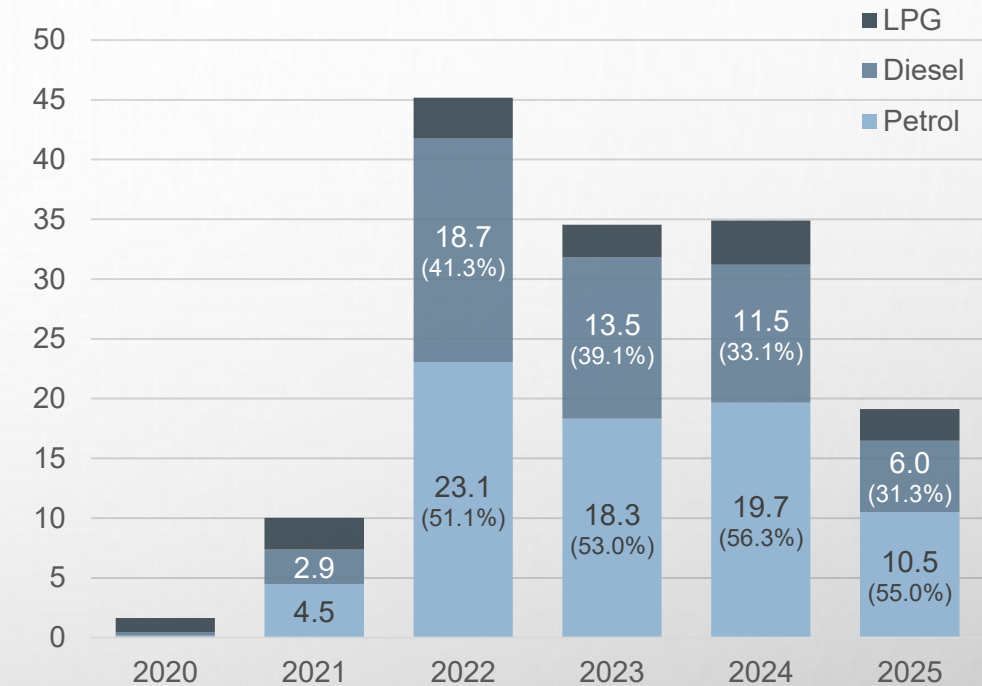
Fuel subsidies (RON95 & Diesel)

Effective since	Changes in subsidy mechanism	Subsidised (ceiling) price (per litre)	Subsidy (RM billion)
2019	Blanket subsidy with lower RON95 ceiling price from RM2.20 per litre	RON95: RM2.08 (↓) Diesel: RM2.18	2019: 6.1 (incl. LPG) 2020: 1.6
2021	Blanket subsidy with lower ceiling prices for RON95 and diesel	RON95: RM2.05 (↓) Diesel: RM2.15 (↓)	2021: 7.4 2022: 41.7 2023: 31.8
10 Jun 2024	Diesel subsidy retargeting ("BUDI Diesel"), diesel price floated with selected sectors entitled for subsidised price, and cash assistance to eligible individuals	RON95: RM2.05 Diesel: • SKDS 2.0: RM2.15 for eligible logistics vehicle • SKDS 1.0: RM1.88 for land public transport • Fishermen: RM1.65	2024: 31.2 • Budi Individu: ~138,000 recipients • Budi Agri-Komoditi: ~144,000 recipients • SKDS 1.0 & SKDS 2.0: ~149,000 companies
30 Sep 2025	Petrol subsidy retargeting ("BUDI95"), with citizens entitled a quota of 300 litres subsidised RON95 petrol (lowered to 200 litres in Mar 2026; reverted in Sep 2026)	RON95: RM1.99 (↓) within quota Diesel: Maximum RM2.15 for selected sectors	2025: 16.5 • About 14 million citizens recorded consumption under BUDI95 out of 16.55 million eligible recipients
1 Jul 2026	Subsidy quota expanded to diesel, with removal of cash assistance for diesel	RON95: RM1.99 within quota Diesel: RM2.10 (↓) within quota; Maximum RM2.15 for selected sectors	2026: 40 (incl. LPG) • Around 700,000 eligible beneficiaries for under diesel subsidy with quota

Source: MoF; National Audit Department Malaysia (NAD); Parliament; The Edge

Allocation of fuel subsidies

RM billion

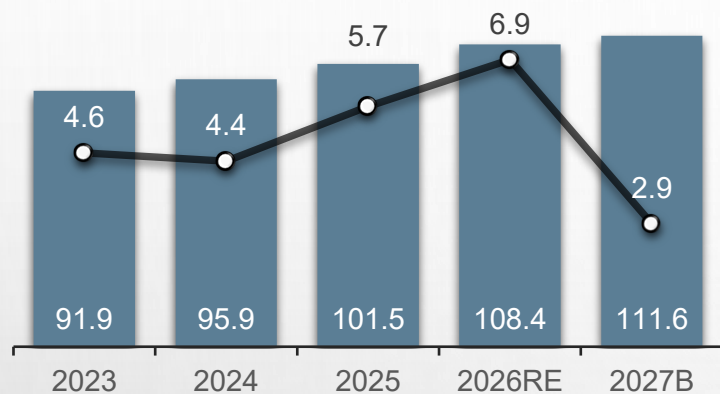


Source: National Audit Department Malaysia (NAD)

Operating Expenditure (OE) by major components

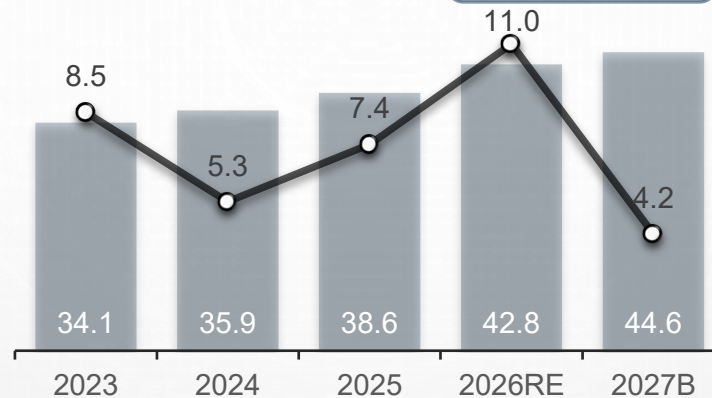
Emoluments
RM billion

2024-2027B
CAGR: 5.0% pa



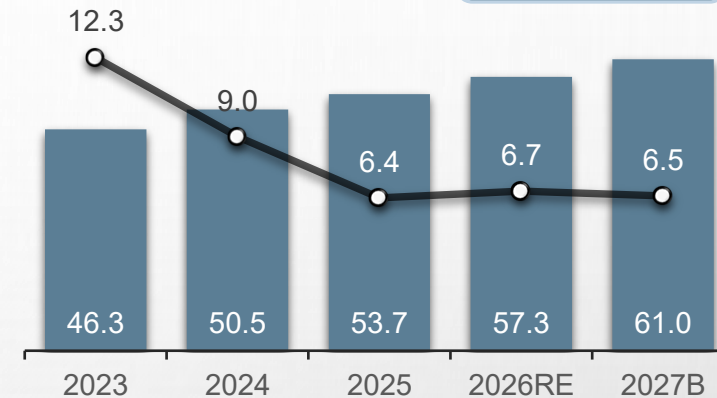
Retirement Charges
RM billion

2024-2027B
CAGR: 7.0% pa



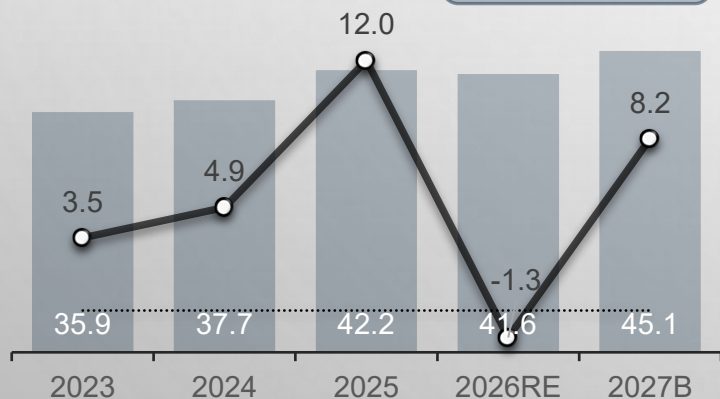
Debt Service Charges
RM billion

2024-2027B
CAGR: 7.1% pa



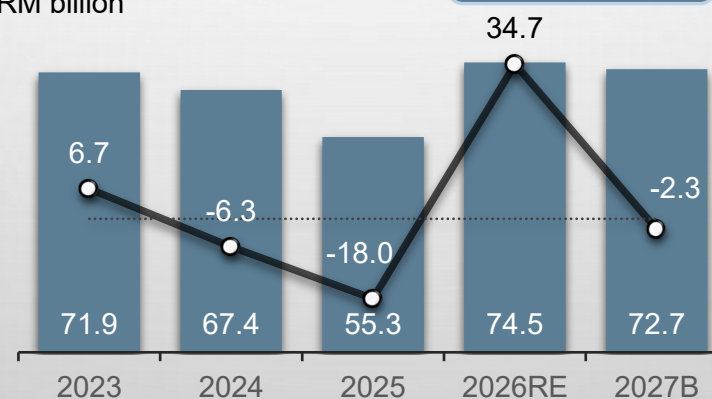
Supplies and Services
RM billion

2024-2027B
CAGR: 5.8% pa



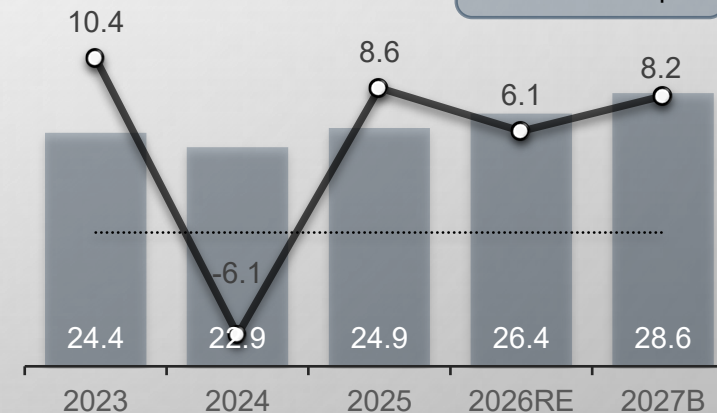
Subsidies and social assistance
RM billion

2024-2027B
CAGR: 0.3% pa



Grants and Transfers*
RM billion

2024-2027B
CAGR: 4.0% pa



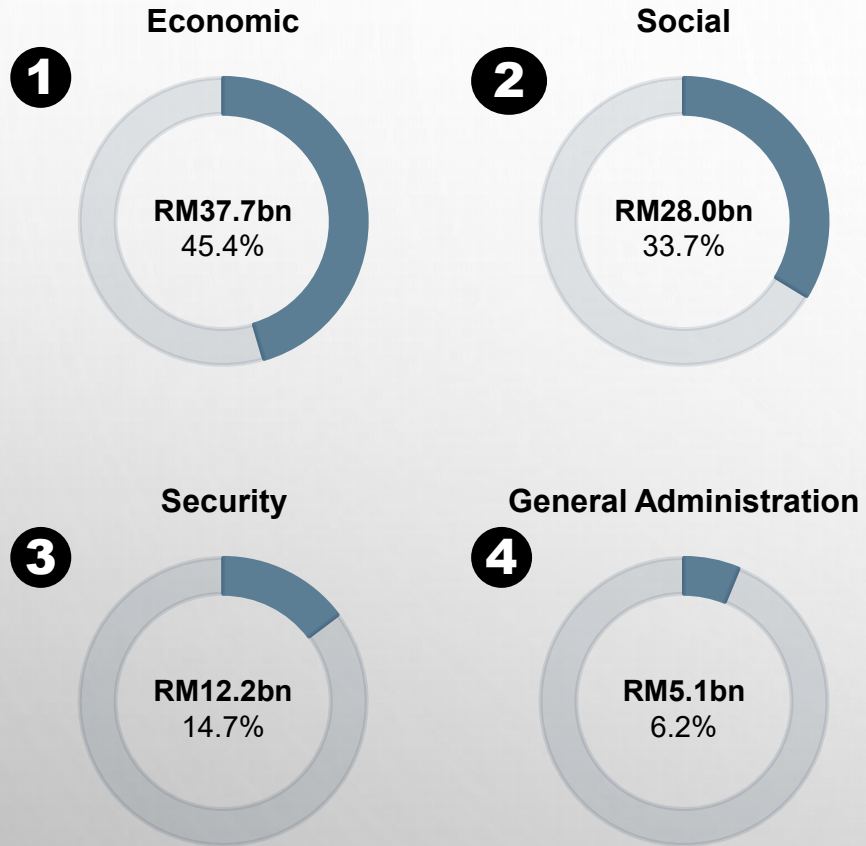
*Includes grants and transfers to state governments and grants to statutory bodies.

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

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

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

For 2027B



By sector and major sub-sector	2026RE (RM billion)	Share (%)	2027B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	37.1	45.8	37.7	45.4	+0.5	+1.4
Transport	17.2	21.3	17.6	21.2	+0.3	+1.9
Environment	3.4	4.2	3.6	4.3	+0.2	+5.5
Trade and Industry	3.3	4.1	3.5	4.2	+0.2	+7.1
Agriculture	2.8	3.4	2.9	3.5	+0.1	+4.6
Energy and public utilities	2.5	3.1	2.8	3.3	+0.3	+10.5
Social	27.4	33.9	28.0	33.7	+0.5	+2.0
Education and training	14.0	17.2	13.6	16.3	-0.4	-2.9
Health	6.7	8.2	6.9	8.3	+0.2	+3.6
Housing	1.5	1.8	1.7	2.0	+0.2	+15.4
Security	11.8	14.6	12.2	14.7	+0.5	+3.8
General administration	4.6	5.7	5.1	6.2	+0.5	+10.4
Gross Development Expenditure	81.0		83.0		+2.0	+2.5

Note: % indicates share of development expenditure of Budget 2027

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

List of selected projects under development expenditure in 2027 Budget

 Approximately 1,500 newly approved programmes and projects

Transport

- Improving nationwide connectivity and addressing traffic congestion include the ongoing Penang LRT Mutiara Line, SSLR and Pan Borneo Highway Sabah
- Construction of a train station at Arena Larkin, Johor
- Upgrading Of Klang Valley Double Track Phase 2 (KVDT2)

Environment

- Development and upgrading of retention ponds and rivers in Selangor
- River cleaning and maintenance projects in Kuala Lumpur

Trade & Industry

- Sejahtera MADANI Programme for SMEs
- Upgrading and maintenance of public facilities in various tourism destinations

General Administration

- Modernisation of ICT systems across Government agencies
- Construction of Anti-Corruption Commission office complex in Kedah
- Development of the Confiscated Asset Integrated Information System

Health

- Construction of a new Day Care Centre and Specialist Clinics Complex at Hospital Sultanah Aminah, Johor Bahru
- Construction of Women and Children Block at Hospital Tengku Ampuan Afzan, Kuantan

Housing

- Development of Bandar MADANI Bukit Jalil
- Residential projects in Kuantan, Johor Bahru and Alor Setar

Education & Training

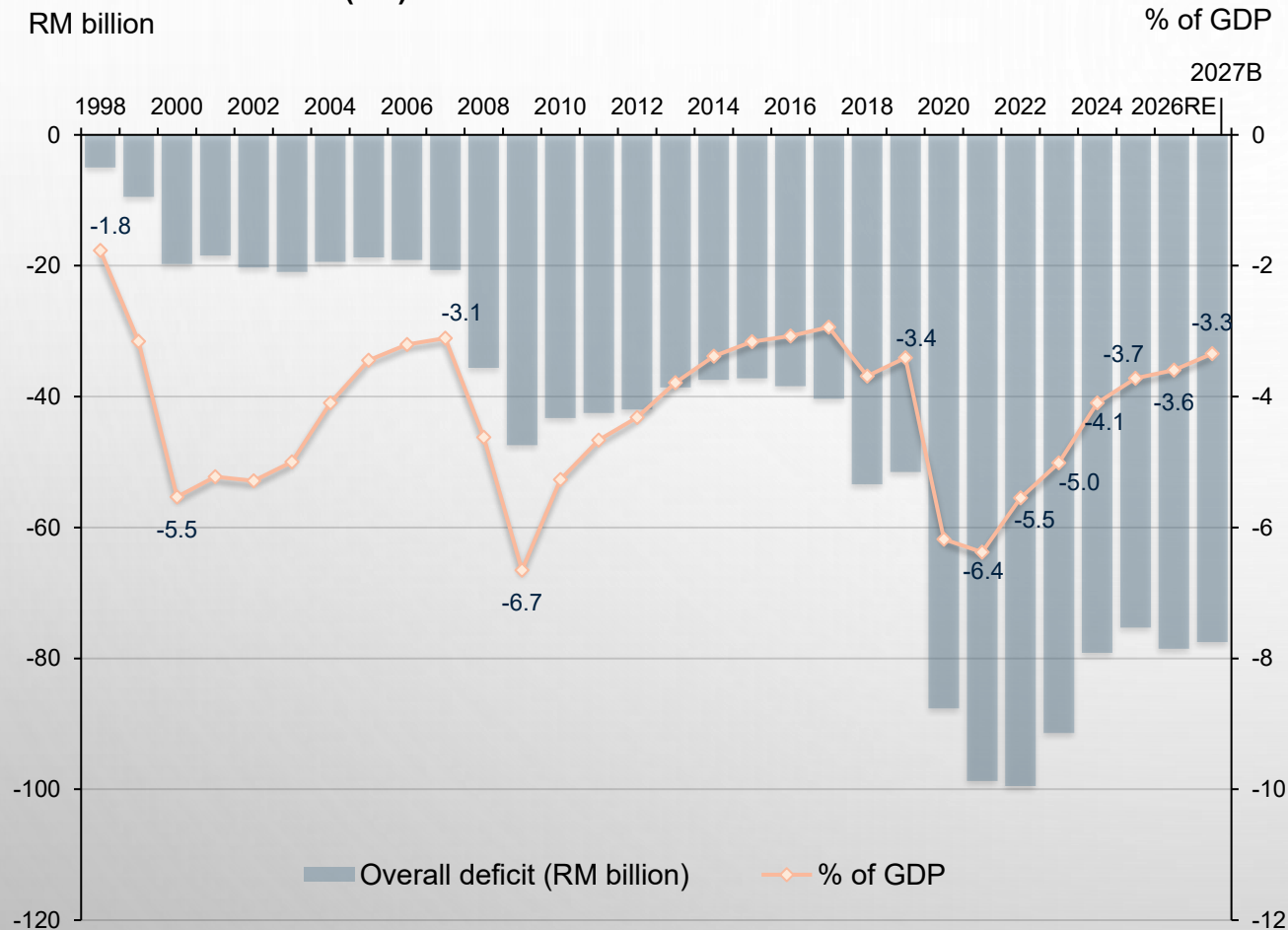
- Upgrading existing facilities and classrooms

Security

- Procurement of major defence assets such as aircraft and patrol vessels
- Provision of the Advance Passenger Screening System (APSS)

Fiscal consolidation remains broadly on track supported higher oil prices amid elevated fuel subsidies

Federal Government (FG)'s overall fiscal balance
RM billion



Note: MTFE estimate, excluding 2027 budget measures
Source: MoF RE=Revised Estimate; B=Budget Estimate

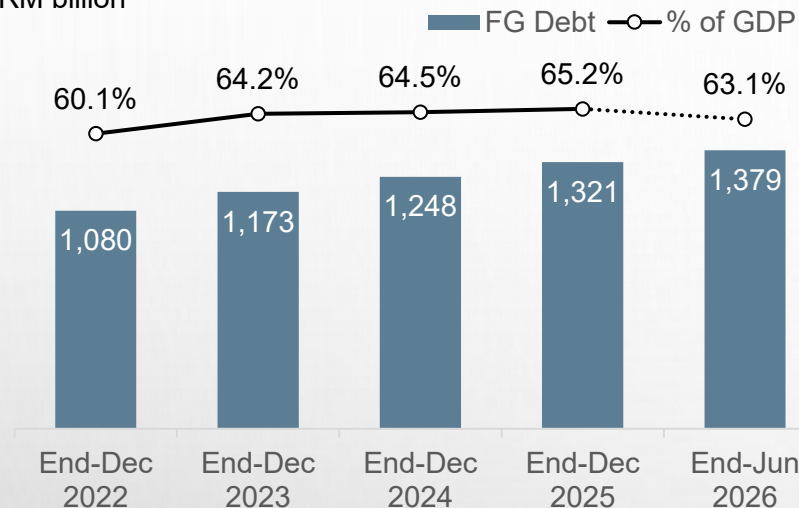
Medium-Term Fiscal Framework (MTFF)	2027-2029	
	Total (RM billion)	% of GDP
Revenue	1,164.4	15.7
Non-petroleum	997.9	13.4
Petroleum-related	166.5	2.3
Operating expenditure	1,148.3	15.5
Current balance	16.1	0.2
Gross development expenditure	253.0	3.4
Less: Loan recovery	4.5	0.1
Net development expenditure	248.5	3.3
Overall balance	-232.4	-3.1
Primary balance	-39.2	-0.5

Underlying assumptions (average)			
Real GDP growth (%)	5.0	Crude oil price (USD per barrel)	78
Nominal GDP growth (%)	6.5	Crude oil production (barrels per day)	~500,000

Federal Government's debt and liabilities position

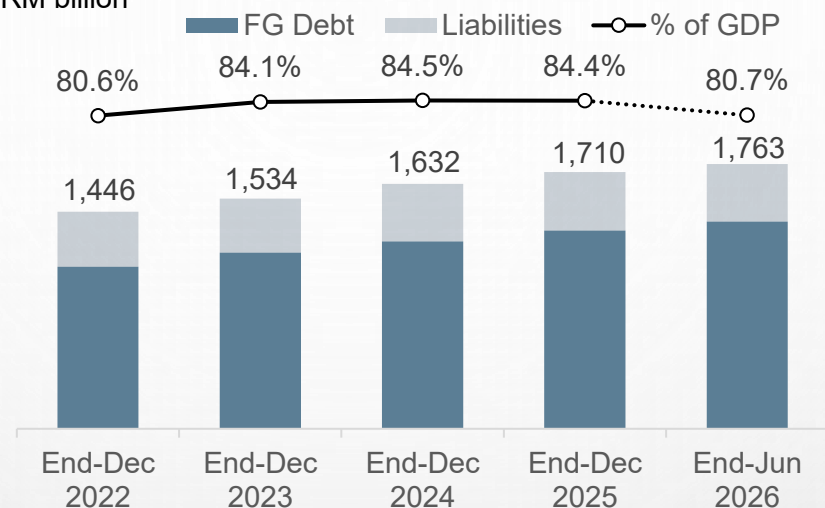
FG's direct debt

RM billion



FG debt and liabilities

RM billion



Debt legislative guidelines

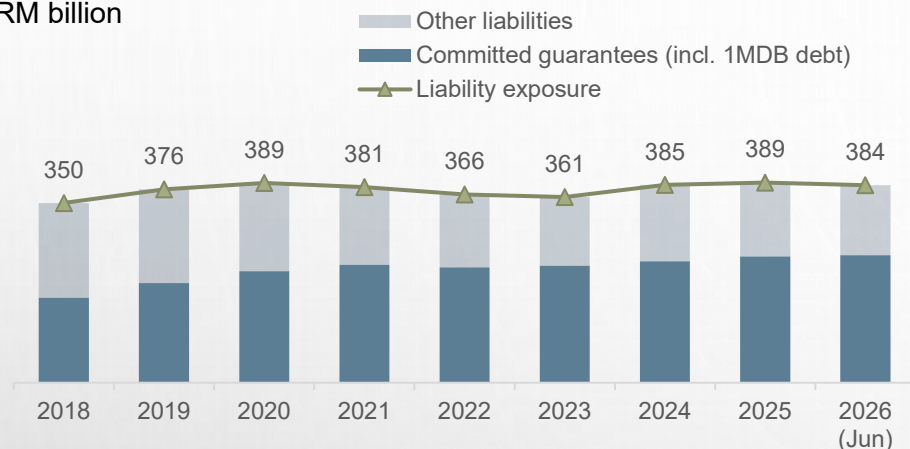
Act	Statutory Limit	End-Jun 2026
Loan (Local) Act 1959 [Act 637] & Government Funding Act 1983 [Act 275]	Outstanding MGS, MGII and MITB not exceeding 65% of GDP	62.1% of GDP (RM1,357.9 billion)
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	RM16.7 billion
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	RM4.5 billion
Public Finance and Fiscal Responsibility Act 2023 [Act 850]	Overall debt should not exceed 60% of GDP in the medium term	63.1% of GDP

- As at end-June 2026, Federal Government (FG)'s debt stood at RM1.379 trillion, marking an increase of 4.4% from end-2025. Based on estimated GDP in 2026, FG debt-to-GDP ratio stood at 63.1% (65.4% if based on GDP over the rolling four quarters), below the statutory threshold of 65% under the Public Finance and Fiscal Responsibility Act 2023 [Act 850].
- With estimated net borrowings of RM78.6 billion in 2026, FG's total debt is projected to reach around 64.0% of GDP by end-2026.
- The liability exposure (committed guarantees and other liabilities) has been increasing steadily since 2022. It stood at RM1.76 trillion or 80.7% of GDP as at end-June 2026.
- Outstanding financial guarantees amounted to RM447.3 billion as at end-June 2026 (20.4% of GDP), staying below the 25% of GDP statutory limit as stipulated under Schedule 1 of Act 850.

Overall liability exposure remained broadly stable over the years

FG liability exposure

RM billion



Other liabilities include commitments for:

- Public-private partnership (PPP)
- Private financing initiatives (PFI)
- PBLT Sdn. Bhd.

Provision of committed guarantees is to ensure continued implementation of critical projects and programmes with broader economic and developmental objectives

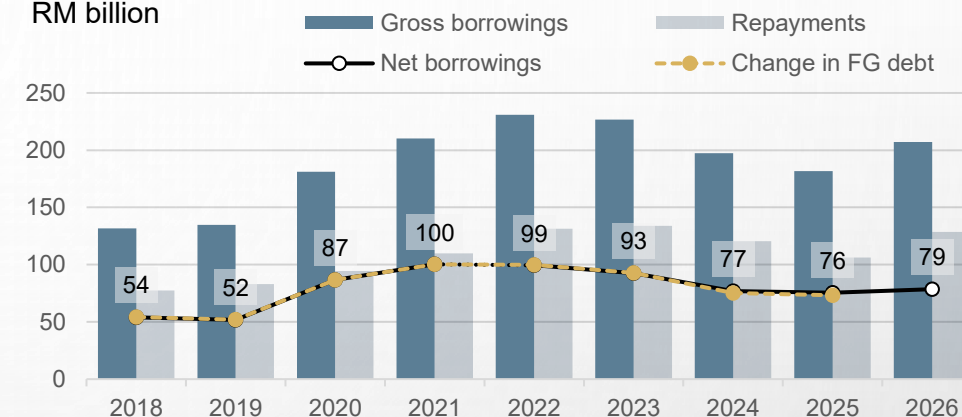
Committed Guarantees – Entity (RM million)	2025	2026^
Danainfra Nasional Berhad	92,395	92,095
Malaysia Rail Link Sdn. Bhd.	54,264	58,967
Prasarana Malaysia Berhad	42,650	43,950
Urusharta Jamaah Sdn. Bhd.	24,786	24,274
Federal Land Development Authority (FELDA)	7,328	5,880
1Malaysia Development Berhad	5,000	5,000
Others	19,355	18,119
Total	245,778	248,285

Source: MoF

Gross issuances are predominantly executed through ringgit-denominated instruments

FG financing

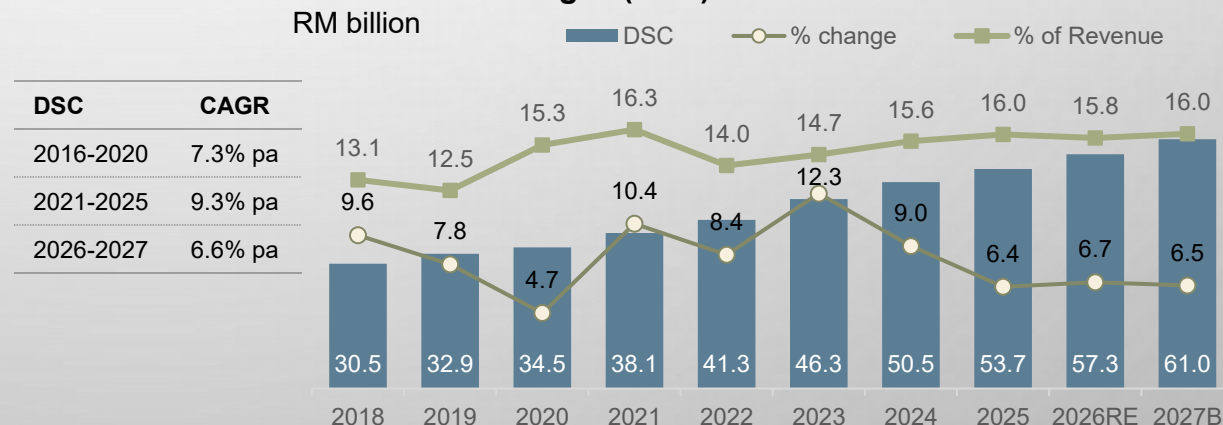
RM billion



Since 2024, DSC remains above the prudential threshold of 15% of FG revenue

Debt service charges (DSC)

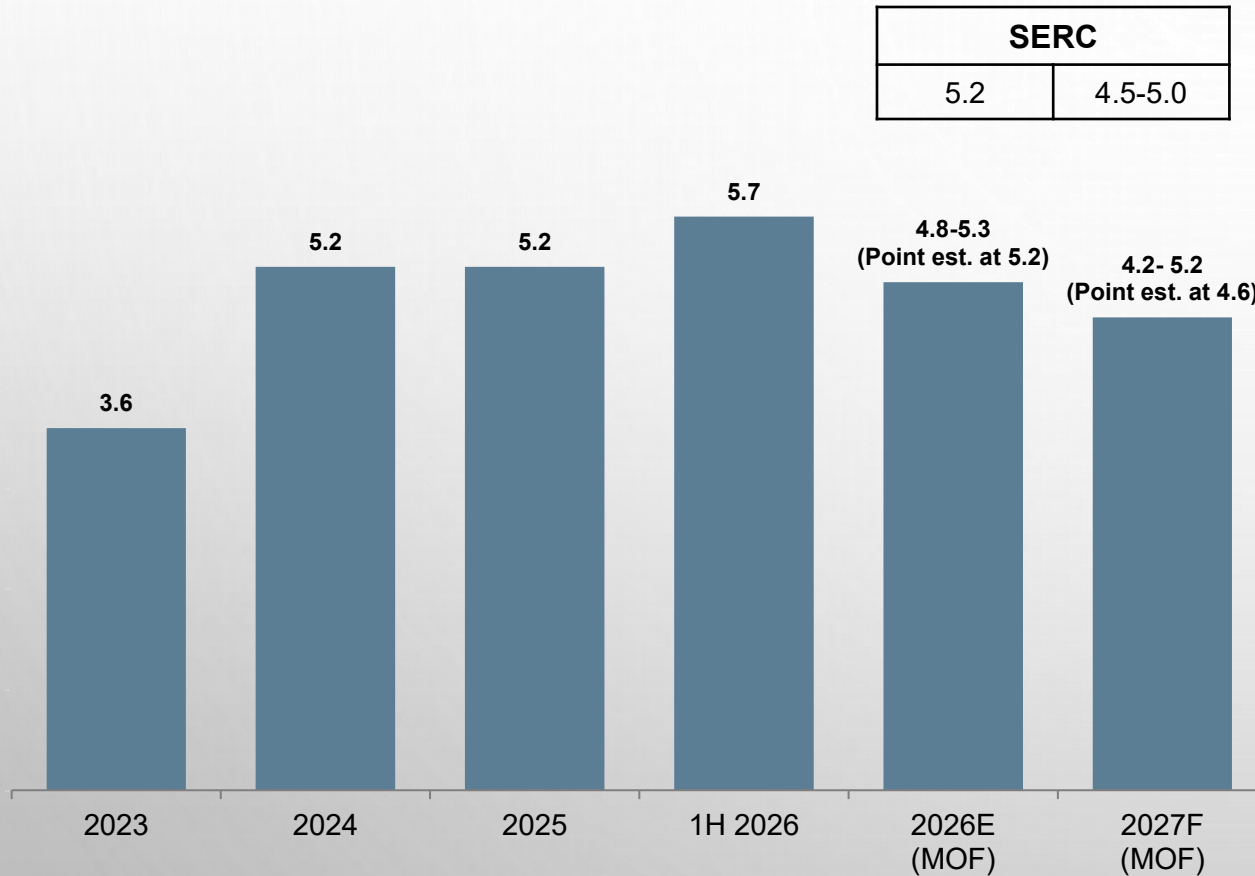
RM billion



RE=Revised Estimate; B=Budget Estimate

MoF projects a slower rate of economic growth of 4.2%-5.2% (midpoint at 4.6%) in 2027

Malaysia's real GDP growth
% YoY



Source: Department of statistics Malaysia (DOSM); MoF; MIDA

E=Estimate; F=Forecast

Supporting Drivers

- Resilient consumption and investment activities are expected to sustain the private sector's contribution to GDP growth at 4.1 percentage points (ppt), while public expenditure is expected to contribute 0.8 ppt.
- Private consumption is supported by favourable labour market conditions (unemployment rate: 3.0% in 2027F) and domestic economic activities, including VM2026-2027 campaign and major events like 34th SEA Games.
- Investment momentum will remain sustained as capex expands in high-value manufacturing and services, supported by national industrial policies and the outcome-based NIF, alongside the progressive realisation (86.3% of manufacturing projects 2021-2H2026) of the substantial approved investment pipeline (2H2026: RM218.5 mil, 2025: RM431.0 mil).
- All economic sectors are expected to continue growing, albeit moderately for the agriculture and mining sectors.
- Exports growth are projected to normalise from a robust expansion in 2026.

Factors

External

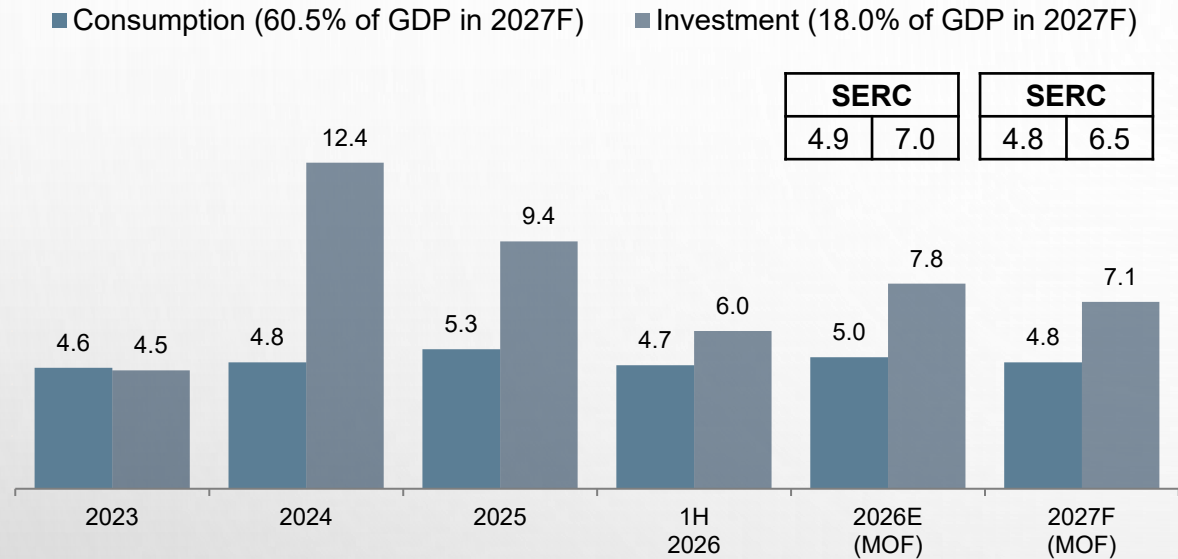
- Technological advancements continues to sustain external demand for the electronics and electrical products.
- Persistent global uncertainties, the shifting trade policy and the AI boom risk remain the key risks.

Internal

- Firm labour market conditions and steady income growth.
- Realisation of approved investments and implementation of national strategic initiatives.

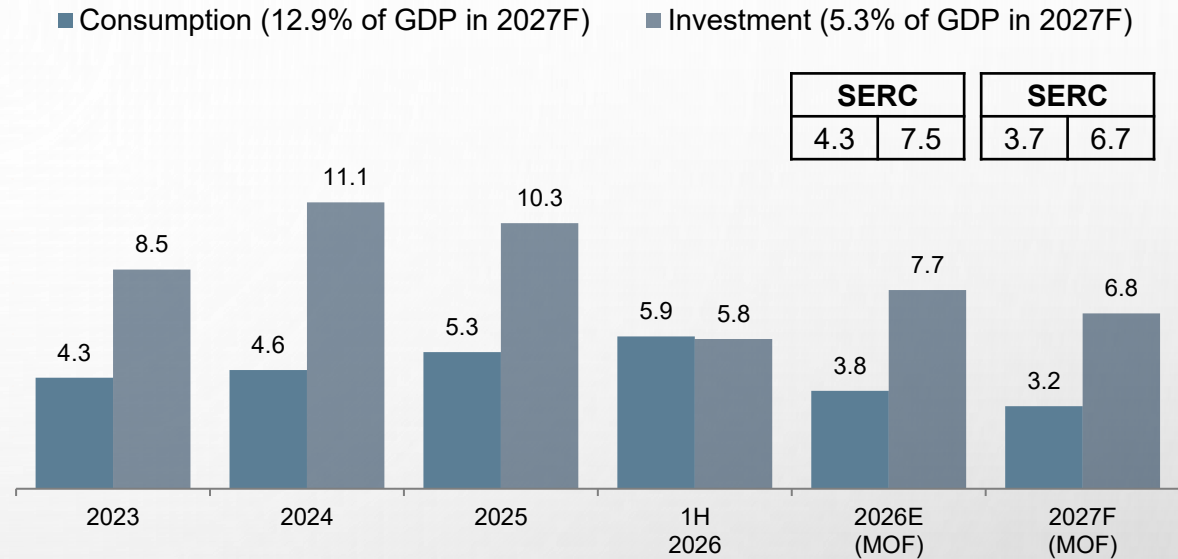
Domestic demand continues to anchor growth, underpinned by private sector

Private Consumption and Investment % YoY



Consumption	Investment
- Sustained domestic economic activities and favourable employment prospects. - Increased international connectivity and vibrant tourism activities in conjunction of the VM2026-2027 alongside major national and international events, including the SEA Games (18-29 September).	- Continued capex in technology-intensive services and manufacturing sectors, such as AI infrastructure, semiconductors, and chemical and petrochemical activities. - Execution of ongoing multi-year projects - Targeted incentives channel towards high-impact activities.

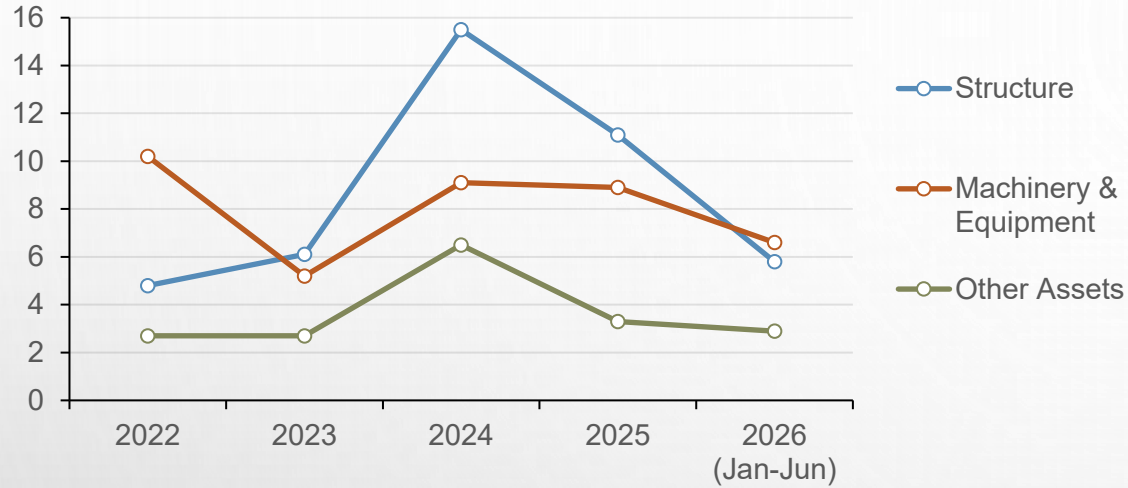
Public Consumption and Investment % YoY



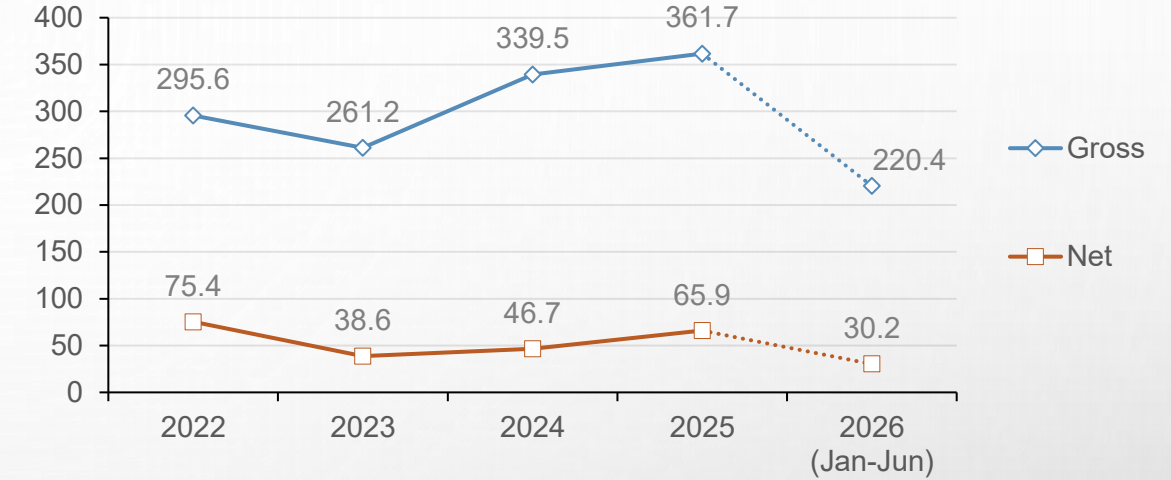
Consumption	Investment
- Higher emolument and supplies and services spending. - The Government Procurement Act 2026 is expected to strengthen value-for-money and curbs leakage, wastage and mismanagement while maintaining fiscal discipline.	- Increased capital spending by public corporations and GLICs in strategic and high-impact projects, supported by GEAR-uP commitments. - Key investments in strategic sectors, including utilities, energy and transportation. - Upgrades in critical infrastructures for healthcare and education.

Investment driven by ongoing multi-year projects

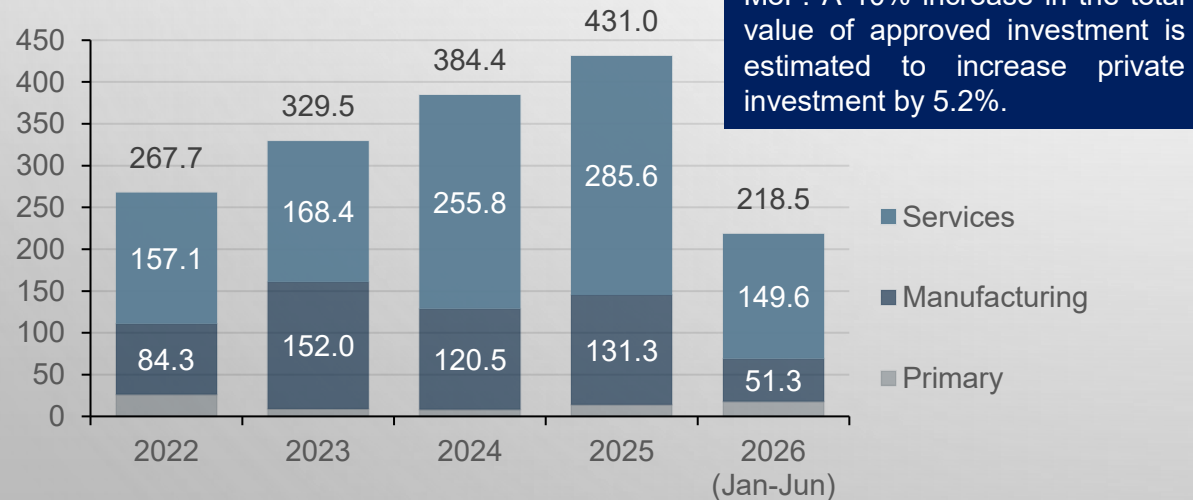
Gross fixed capital formation by type of assets
% YoY



Flows of foreign direct investment (FDI)
RM billion



MIDA's approved Investment by major sector
RM billion

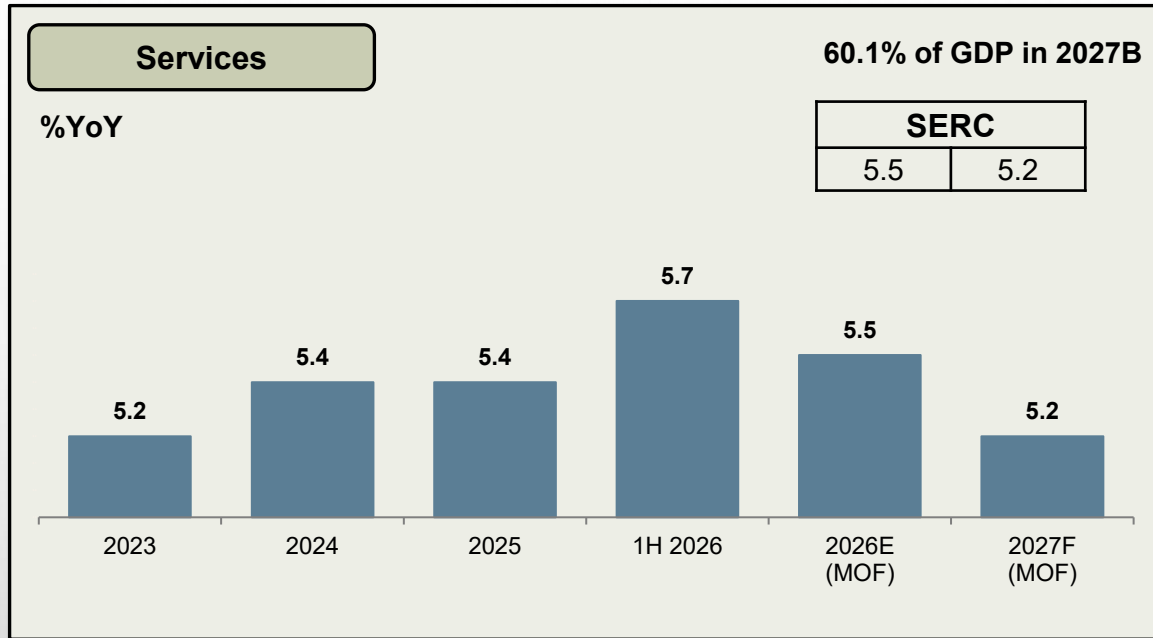


MIDA's approved Investment by source of investment and sector

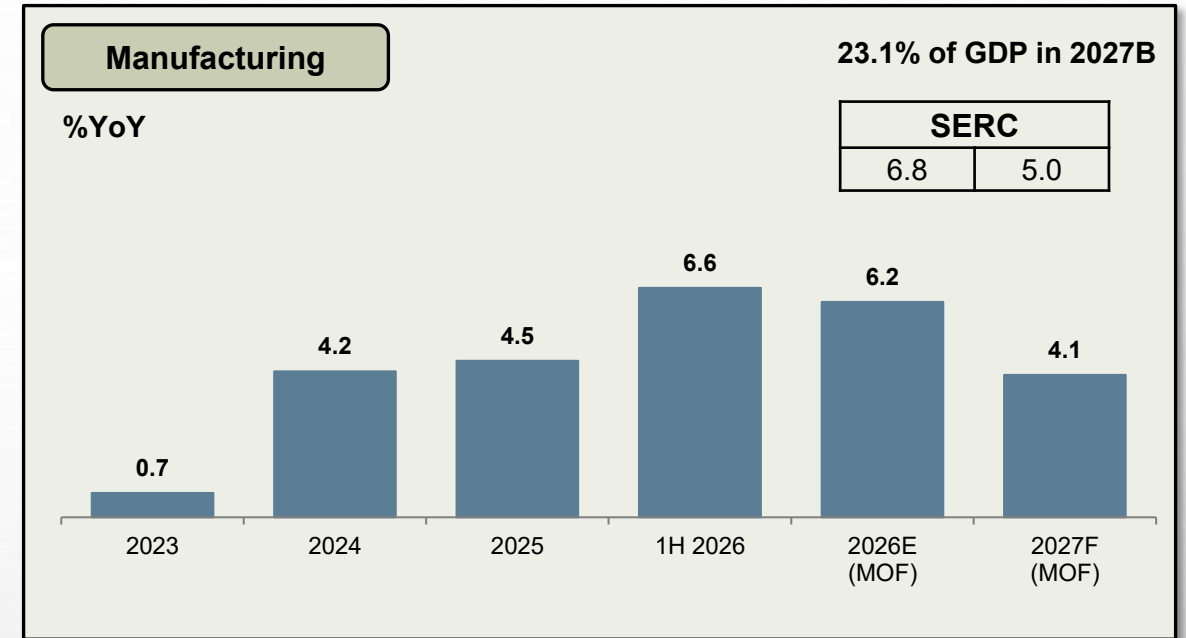
Major Sector (RM million)		Primary	Share (%)	Manufacturing	Share (%)	Services	Share (%)
2025	Domestic Investment	11,670	82.4	30,722	23.4	180,004	63.0
	Foreign Investment	2,493	17.6	100,576	76.6	105,616	37.0
2026 H1	Domestic Investment	10,293	58.5	18,555	36.2	62,696	41.9
	Foreign Investment	7,290	41.5	32,706	63.8	86,920	58.1

Note: % share indicates share of domestic / foreign investment of the respective sector.

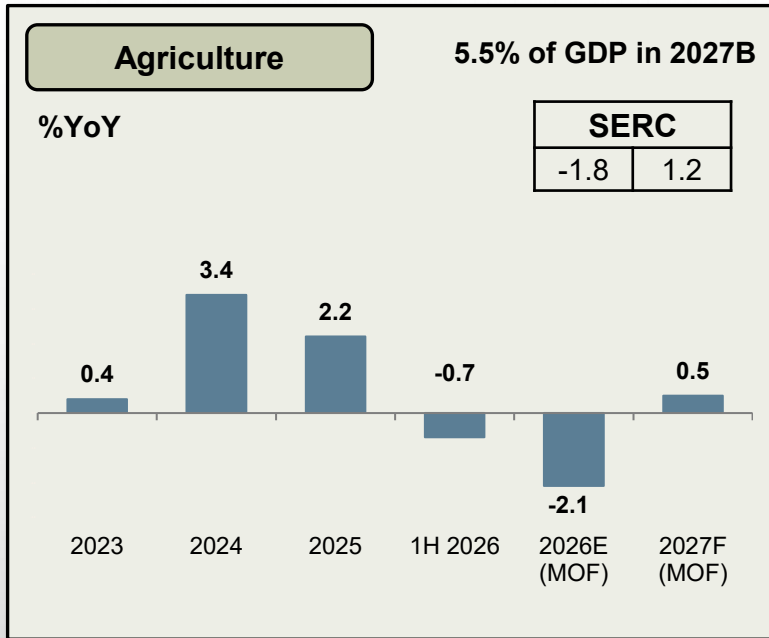
All economic sectors are expected to grow in 2027, albeit more moderately



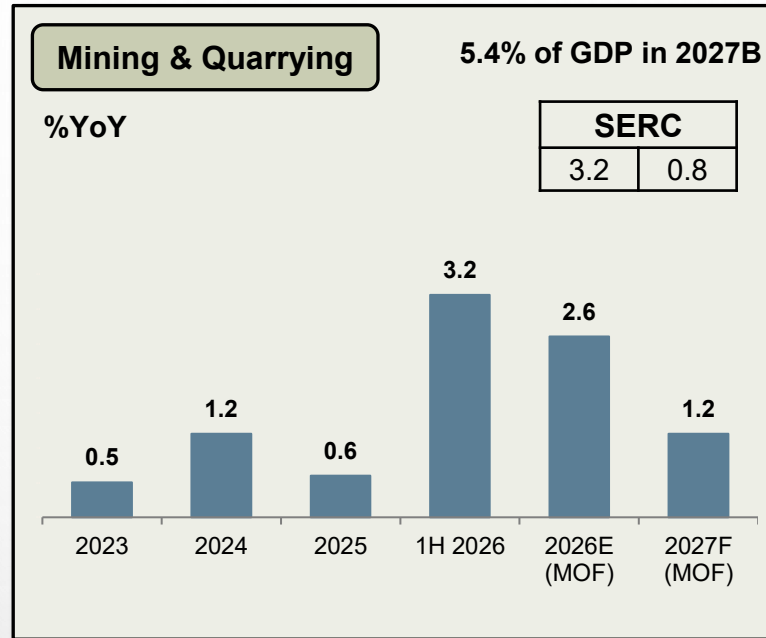
- Upfront buildup of telco infrastructure and growing demand for cloud computing and digitalisation, together with peripheral demand from growing operationalisation and expansion of data centres, drives growth across information, utilities, logistics, and real estate and business services subsectors.
- The VM2026-2027 and events such as LIMA 2027 and 34th SEA Games 2027 drive visitor arrivals, boosting wholesale, retail, transit, F&B, and accommodation subsectors.
- Ongoing JS-SEZ project rollout, alongside the expected commencement of the RTS Link, supports industrial parks, logistics facilities and cross-border connectivity, foster demand for property-related, engineering, professional and business services, as well as passenger traffic and retail activity.



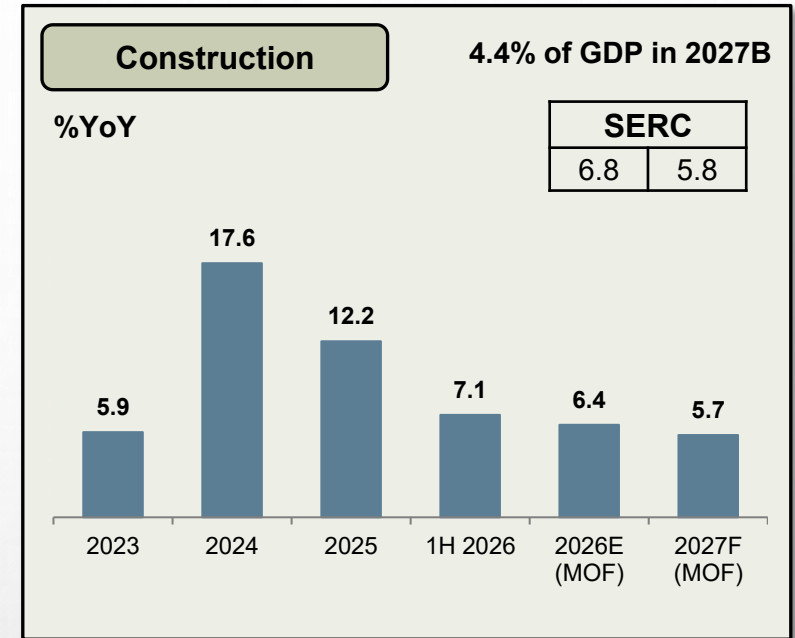
- Export-oriented industries, specifically E&E segment, will continue to be driven by sustained yet moderate expansion of the global semiconductor cycle while continued implementation of the National Semiconductor Strategy (NSS) initiatives will support high-value added activities.
- Growth in domestic-oriented industries will be driven by sustained household spending as well as tourism activities that generate additional demand for food and beverages and other consumer products.
- Ongoing momentum in construction activities, especially across industrial and infrastructure developments, will sustain steady demand for building and other intermediate materials.



- Marginal declines in fresh fruit bunch (FFB) yield and crude palm oil (CPO) production are cushioned by improvements in oil extraction rate and higher CPO price assumption: RM4,450 and RM4,600 per tonne in 2027 (2026: RM4,300-RM4,500).
- Sustained household consumption and tourism-related demand to support recovery in agro-food production.
- Despite government initiatives to support paddy and rubber, the extent of production is subject to weather conditions and input costs.



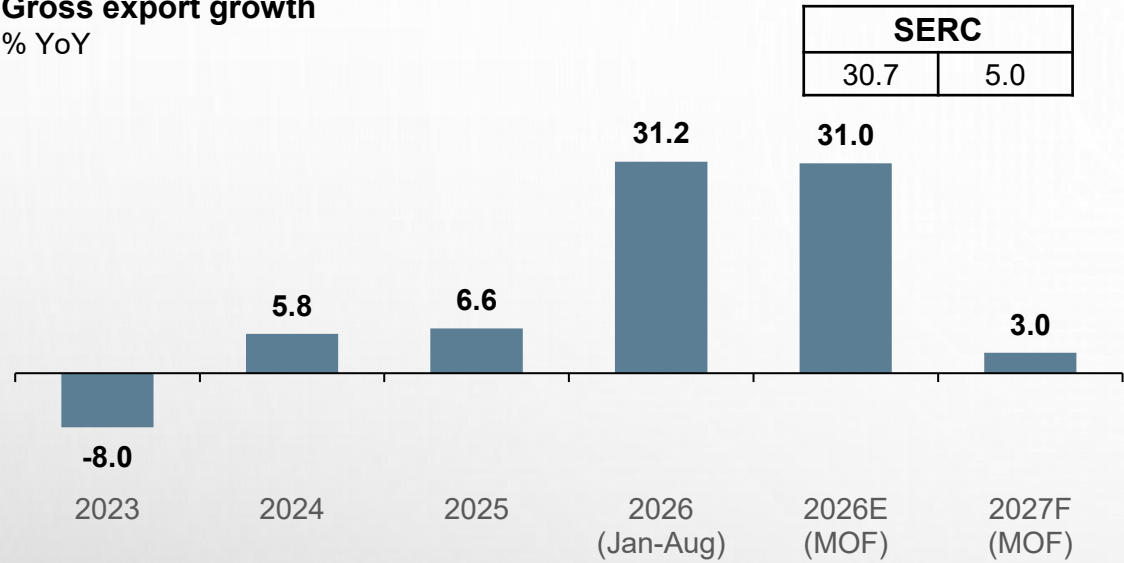
- Natural gas output will be further driven by the operationalisation of PFLNG3 in Sabah and the ramp-up of the Rosmari and Marjoram projects in Sarawak.
- Crude oil and condensate products to be supported by new fields in Kasawari Phase 2 (Offshore Sarawak), partially offsetting the declines at Gumusut-Kakap and Malikai fields.
- Brent Crude oil is expected to average at USD85 per barrel in 2027 (2026: USD85/bbl), with overall demand growth moderated by the growing adoption of xEVs, biofuels and energy efficiency initiatives.



- Non-residential buildings and specialised construction activities will remain the prime contributor, fuelled by the development of data centres, alongside other buildings and infrastructure projects.
- Multi-year projects to propel civil engineering performance: The East Coast Rail Link (ECRL Phase 2), Elevated Autonomous Rapid Transit (E-ART) system, Kuala Lumpur Northern Dispersal Expressway (KL NODE), LRT3 Phase 2, etc.

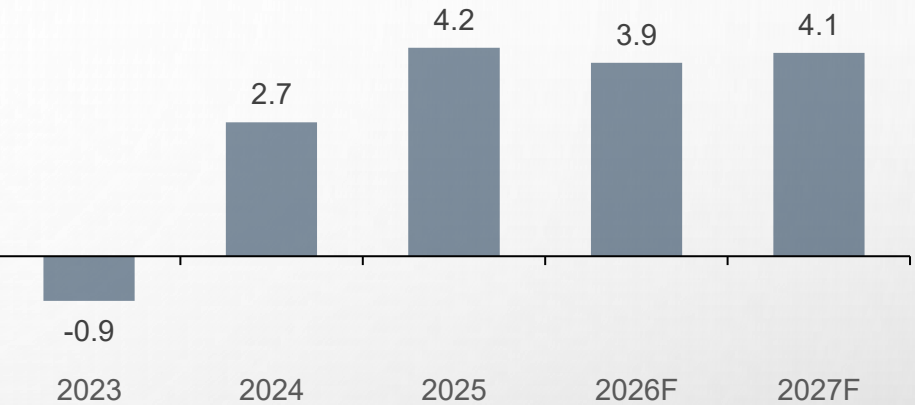
Exports prospect remains positive, albeit moderately

Gross export growth
% YoY

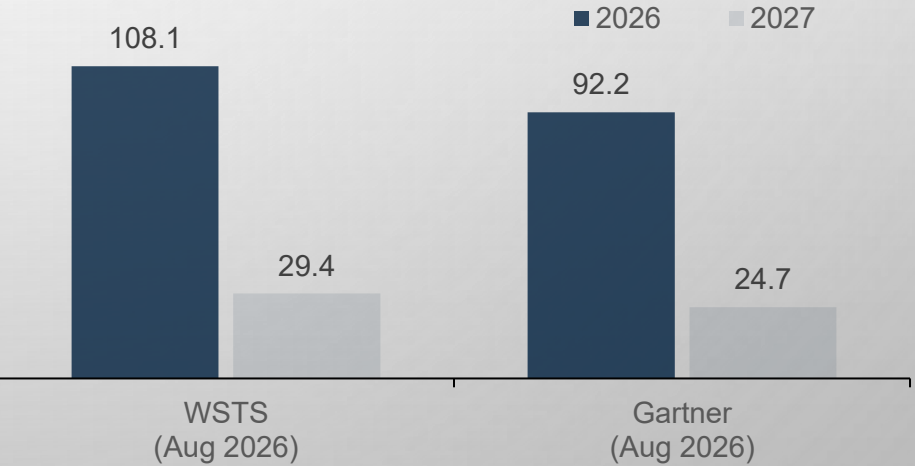


- Overall exports are expected to pace slower due to a high-base effect, supported by continuous demand in manufactured goods, mining goods and agriculture goods.
- Steady E&E export performance, backed by strong demand for AI-related products. Global semiconductor trade will normalise after an unprecedented repricing of the memory products and the rollout of data infrastructure.
- Growth in mining goods is underpinned by stronger market demand from major trading nations subsequent to market diversification and expansion.
- Agriculture exports will be driven by higher shipments of palm oil products and favourable commodity prices.

WTO's merchandise trade volume growth
%
(Oct 2026)

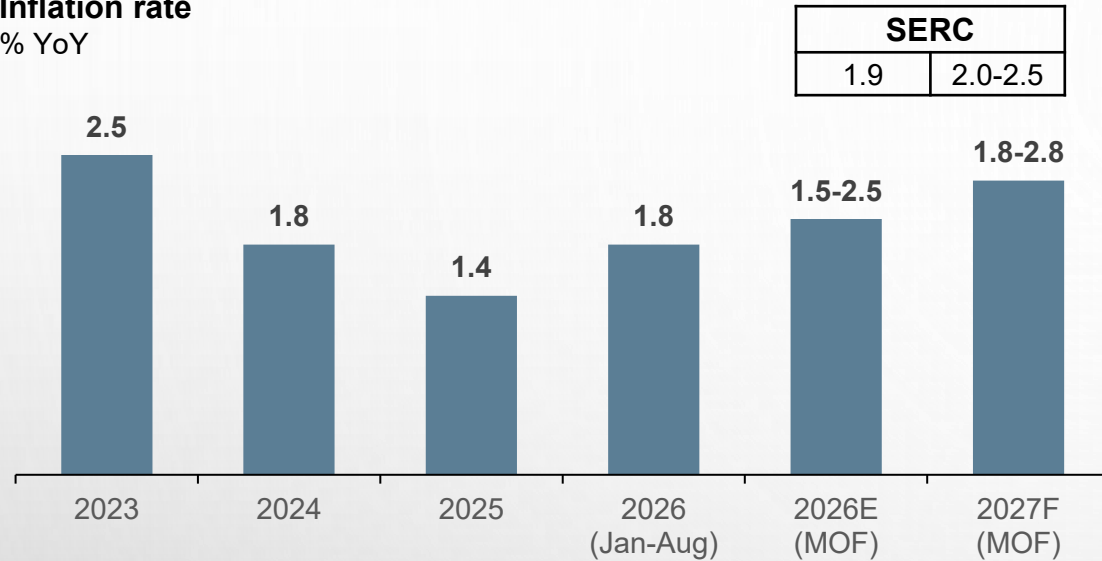


Selected semiconductor market forecast
%



Inflation risks remain tilted to the upside amid resilient labour market conditions

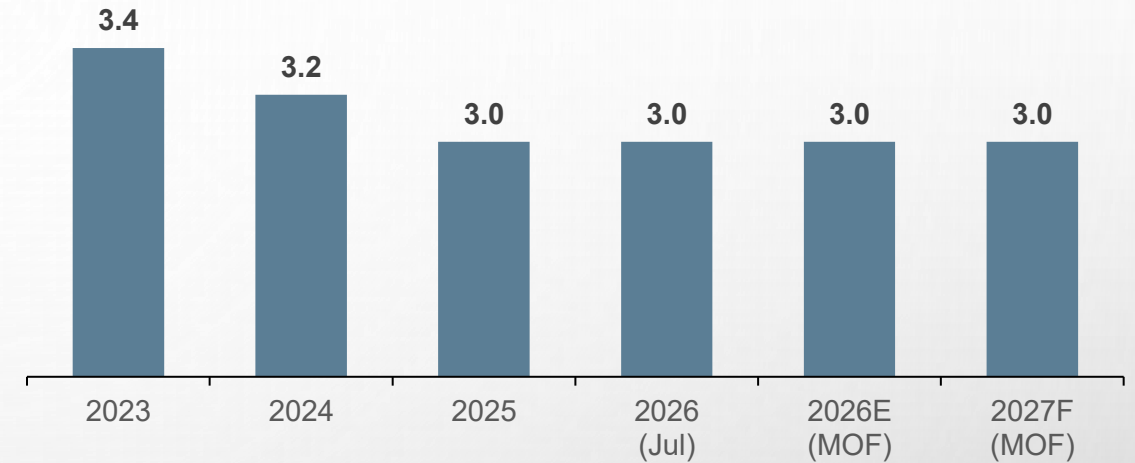
Inflation rate
% YoY



- Headline inflation is projected to be higher in the early months of 2027 and ease gradually following normalisation of upstream cost shocks.
- Demand-pull inflation is expected to be muted, but services-related categories such as food away from home, housing-related services and personal care warrant scrutiny as potential drivers of price pressures.
- Upside risks: geopolitical conflicts and weather-related risks resulting in prolonged disruptions to energy, commodities, and supply chains; revision of administered prices, utilities and subsidy mechanisms.
- Downside risks: faster normalisation of commodity and food prices; stronger ringgit and softer domestic demand.

MoF: In the short-run, an increase of USD20 in the Brent crude oil price will cause both PPI and CPI to increase by 0.74 percentage points (ppt) and 0.14 ppt, respectively.

Unemployment rate
%



- Structural reforms in wage structures, enhanced social protections, and improved workplace conditions are expected to drive labour force participation.
- The implementation of national master plans that drive investment and increase economic complexity is anticipated to accelerate jobs creation.
- Low-skilled foreign worker numbers will further decrease in 2027 to align with a 10% maximum employment threshold by 2030 under RMK13, whereas expatriate hiring will rise marginally to fill specialised roles in high-growth, high-value (HGHV) sectors.
- Emphasising capital-intensive investments, alongside with expanded TVET and upskilling initiatives to reduce over-reliance on foreign labour and raise productivity, complemented by higher levy structures.

SERC's Commentaries on 2027 Budget and Economy

Overview

No compromise on fiscal consolidation; sustaining economic resilience

- A high-stakes Budget's balancing act, juggling to please everyone (resembles a populist "Election Budget") and to fund the future. Higher cash aid-cost of living relief and social assistance for targeted group; tax cut or expand tax relief to increase disposable income for M40; lower financial burden to help SMEs; and targeted incentives to drive strategic sectors like semiconductors, AI, digital services, pharmaceuticals, green energy, smart agriculture, logistics and aerospace.
- The 2027 Federal Budget navigates steady domestic economic expansion at a time of when global uncertainty due to the on-going geopolitical tension and rising inflation pressures weigh heavily.
- The Budget's strategic initiatives are to deliver immediate economic and financial relief while advancing medium-term strategies to strengthen structural competitiveness, accelerate digital adoption and AI transformation, and foster sustainable economic growth.
- We are reassured by the government's continued commitment to fiscal discipline without sacrificing social and growth priorities. The fiscal deficit is expected to continue running for the 30th consecutive year since 1998, while is projected to reduce further to RM77.5bn or -3.3% of GDP in 2027 Budget (estimated deficit of RM78.5bn or -3.6% of GDP in 2026), marking the 6th consecutive year of reduction.

2027 Budgetary Operations

- Federal government revenue is projected to grow at a slower pace of 4.7% to RM380.8bn in 2027 (estimated +8.2% to RM363.6bn in 2026) on moderating economic growth. Notable contributors to Federal government revenue in 2027 are PETRONAS dividend (RM32bn vs. RM27bn in 2026), Khazanah (RM3bn vs. RM2bn in 2026), Bank Negara Malaysia (RM7bn vs. RM5bn in 2026) and KWAP (RM6bn vs. RM7bn in 2026).
- Federal government revenue growth faces structural limitations due to a declining tax-to-GDP ratio (12.1% in 2020-2027 Budget compared to 13.8% in 2010-2019) and a narrow tax base. With more revenue reverting to Sarawak and Sabah under MA63, the Federal government faces a pressing need to widen its tax base, and the reintroduction of GST is worth considering.
- Total expenditure allocation is budgeted to increase by 3.6% to RM459.8bn in 2027 (+7.6% to RM444.1bn in 2026), reflecting a moderately expansionary budget to support domestic demand amid a challenging global environment.
- Gross development expenditure (DE) allocation is budgeted to increase by 2.5% to RM83.0bn or 18.0% of total expenditure in 2027 (-1.1% to RM81.0bn in 2026). DE will continue to support priority investments, including allocations for approximately 1,500 newly approved programs and projects.
- Key projects include the ongoing Penang LRT Mutiara Line and Pan Borneo Highway Sabah, Elevated Autonomous Rapid Transit system (E-ART), flood mitigation infrastructure, the upgrading of tourism infrastructure, upgrading of education and learning facilities, healthcare infrastructure, and affordable public housing development.

- Operating expenditure (OE) is budgeted to increase at a slower rate of 3.8% to RM376.8bn in 2027 (+9.8% to RM363.1bn in 2026). The fiscal flexibility is highly constrained as three statutory obligations (emoluments, retirement charges, and debt service charges) take up 57.6% of total OE, making strict, necessity-based rationalisation a fiscal requirement.
- Expenditure on subsidies and social assistance surged by 34.7% to RM74.5bn in 2026, an increase of RM25.5bn from the originally budgeted of RM49.0bn for 2026. This was primarily due to higher subsidies for petrol and diesel (estimated RM40bn in 2026, an increase of 142.4% from RM16.5bn in 2025; RM31.2bn in 2024).
- Subsidies and social assistance are projected to decline by 2.3% to RM72.7bn in 2027 based on crude oil price assumption of USD85 per barrel (USD85/bbl in 2026). The decline reflects the continued implementation of targeted subsidy mechanisms and expected improvements in subsidy management.
- While Federal operating surplus widens to estimated RM4.0bn in 2027 compared to a small surplus of RM585m in 2026. Persistent small operating surplus over the past decades highlights a deep structural issue, with operating expenditure consumes more than 80% of total budget and almost 99% of total revenue, it leaves very limited fiscal resources to fund developmental expenditure or build fiscal buffers.
- The strict fiscal rules mandate that the Federal Government is legally bound to fund its operating expenditure strictly out of revenue, meaning it cannot borrow to cover daily operating expenses.
- Malaysia's federal government debt continues to increase because still running an annual fiscal deficit, meaning it adds new debt even though it borrows at a slower pace. Over the period 2023-2026, net borrowings of the Federal Government averaging RM80.9bn per year compared to RM95.4bn per year in 2020-2022. The government borrows to refinance older, maturing bonds and obligation.
- The Federal Government debt to GDP stood at RM1.38 trillion or 63.1% of estimated GDP at end-June 2026 (RM1.32 trillion or 65.2% of GDP at end-2025), with statutory debt amounted to RM1.36 trillion (62.1% of estimated GDP), remaining within the statutory debt limit of 65% of GDP. Total debt and liabilities amounted to RM1.76 trillion or 80.7% of estimated GDP (RM1.71 trillion or 84.4% of GDP at end-2025). The debt service burden has grown to take up 15.8% of total revenue (RM57.3 bn) in 2026, and 16.0% (RM61.0 bn) in 2027 Budget, compared to a long-term average of 14.0% per year in 2015-2025.
- A steady reduction in deficit and stable debt trajectory strengthens macroeconomic confidence, signalling financial discipline to global investors and credit rating agencies as well as ensuring long-term fiscal sustainability.
- In a more volatile external environment, rebuilding fiscal buffers is essential for future shocks in ensuring that the limited fiscal resources can be deployed swiftly to support domestic demand when needed.

Economic Outlook

Running on a twin-engine growth

- The Treasury projects economic growth to pace at a slower rate of 4.2%-5.2% (point estimate of 4.6%) for 2027 compared to estimated 4.8%-5.3% (point estimate of 5.2%) in 2026. These forecast set of numbers are in line with our estimates (5.2% in 2026 and 4.5%-5.0% in 2027).
- Err on the side of caution. A high base effect due to exceptional better economic numbers in 2026 makes achieving high year-on-year growth rates for 2027 mathematically harder. Explosive growth in exports of electronics (AI-related) and electrical products, and massive data centre construction outlays would shift from rapid acceleration to steady normalisation, cooling growth momentum. There remains ongoing resistance from structural obstacles, including geopolitical instability, shifting trade policy, severe weather events like El Niño, and rising operational costs for companies.
- This a consequential moment for the Malaysian economy and a challenging time for policymakers. Economic growth maintained stronger than expected momentum this year, growing by 5.7% in 1H 2026 despite being buffeted by global oil shock, thanks to robust exports of electronics and electrical products. However, this has not resulted in broader economic gains. Businesses face increasing costs pressure and foreign competition.
- The Treasury expects consumer spending to increase by 4.8% in 2027 (estimated 5.0% in 2026 vs SERC's 4.9% in 2026 and 4.8% in 2027), supported by income support policy, improved wage growth and stable labour market condition (unemployment rate at 3.0%). The Visit Malaysia 2026-2027 tourism-related activities and the 34th SEA Games are expected to provide additional impetus to domestic spending.
- We caution that consumer spending lacks organic strength. While overall private consumption might look stable, the underlying growth is narrow and a distinct absence of a broad-based consumption acceleration, indicating that consumers are not increasing their spending across retail, dining, or entertainment.
- The reliance on cash aid, fuel subsidies and the lack of broad spending growth underscore deep-seated household pain points, signalling that the average consumer's purchasing power remains highly constrained by food and services inflation, rising living costs, and elevated debt.
- Private investment growth is estimated to increase by 7.1% in 2027 (estimated 7.8% in 2026 vs. SERC's 7.0% in 2026 and 6.5% in 2027), supported by continued expenditure in the technology-intensive services and manufacturing sectors. These include hyperscale data centres and AI infrastructures, advanced semiconductors as well as chemical and petrochemical activities.
- Private investment, which had experienced multi-year expansions, has tapered in 2026-2027 as major projects heavily accelerated by data centre booms, semiconductor upcycles, and digital infrastructure rollouts transition past their initial, intensive capital expenditure phases, the growth rate moderates naturally.
- Following an exceptional tech-cycle and commodity boom in 2026, exports are projected to grow moderately by 3.0% in 2027, a marked slowdown from estimated robust growth of 31.0% in 2026 (SERC's estimated 30.7% in 2026 and 5.0% in 2027).
- While the outlook for the technology sector remains positive amid the AI boom risk, with orders extending into 2027, a high base effect and increased external risks, particularly US tariff policies and trade scrutiny could temper exports.

SERC's Commentaries on 2027 Budget and Economy

Inflation

- Inflationary pressures are driven by localised cost adjustments rather than widespread domestic demand pressure. There is an absence of excessive demand-driven price spirals or aggressive wage-price chases, keeping underlying core inflation structurally manageable.
- Headline inflation is projected to increase by 1.8%-2.8% in 2027 (estimated 1.5%-2.5% in 2026 vs. SERC's 1.9% in 2026 and 2.0%-2.5% in 2027). Headline inflation has remained remarkably manageable in recent years (1.8% in Jan-Aug 2026, 1.4% in 2025 and 1.8% in 2024), primarily driven by price controls and subsidies as well as currency dynamics.
- Cost pressures have mostly stayed concentrated at the upstream stage. Producer prices have increased continuously for six successive months from 1.1% yoy in March to 10.7% in August 2026, driven by global energy and raw material costs in the mining, manufacturing, and agriculture sectors.
- Persistent increases in wholesale inflation will force businesses to pass on some of increased costs to consumers over time. We concur with the Treasury's assessment that services-related inflation such as food away from home, housing-related services and personal care remain the main sources of underlying price pressure.
- The primary risks to the Malaysian economy in 2027 are geoeconomic confrontations, escalating geopolitical conflicts, potential AI assets and technology market corrections, and climate change on an accelerating strength of the El Niño event.
- Escalation in Middle East can push oil prices significantly higher, driving up fuel subsidies and headline inflation. Disappointing AI financial returns could trigger global market sell-offs, asset repricing tightens financial conditions for emerging markets.



Part 2

Budget 2027: Measures & Initiatives

#1 Boost Consumption and Ease Cost of Living

KEY MEASURES

- Allocate over RM80bn for subsidies, assistance and incentives in 2027, including budgeted RM40bn in fuel subsidies and nearly RM3.3bn for Jabatan Kebajikan Masyarakat (JKM) assistance.
- Increase the STR–SARA allocation from RM15bn to RM16bn. STR recipients can receive SARA of up to RM150 monthly. Non-STR citizens aged 18 and above receive RM100 twice under SARA MADANI.
- Allow SARA purchases of fresh produce at 216 FAMA farmers' markets.
- Allocate RM250m to expand essential-goods distribution to rural and remote areas.
- Increase personal tax relief from RM9,000 to RM12,000.
- Reduce tax rates by one percentage point for specified income bands: to 18% for taxable income between RM70,000 and RM100,000, and to 24% between RM100,000 and RM150,000.
- Adjust the tax rate for income exceeding RM1m to 30%.
- RM2,000 minimum wage, up from RM1,700, effective June 2027; exempt MSMEs with annual turnover below RM50 million; more than 4 million workers covered.
- RM2,500 per month initial minimum-wage baseline for semi-skilled work and graduates under a reformed worker-income framework.
- Special financial assistance of RM1,500 to 1.3 million civil servants; special financial assistance of RM750 to over 1 million government retirees.

COMMENTARY

- The expanded coverage of SARA to include fresh food, and increase SARA up to RM150 monthly will make **assistance more targeted towards essential needs**. Further consideration should be given to expand SARA coverage to utilities bill and fuel. Equally important is to **broaden the network of eligible merchants to cover all types of retailers** selling SARA-eligible goods, including convenience stores, petrol station shops and supermarkets/hypermarkets.
- While higher monthly minimum wage of RM2,000 would ease cost-of-living pressures for lower-income workers, it may also raise business costs and affect employers' willingness to hire or expand, particularly in the labour-intensive sectors. Although MSMEs with annual turnover below RM50 million are given exemption temporarily, the broader impact on employment and inflation warrants monitoring.
- Financially squeezed middle-income households receive a fair amount of relief through tax cuts and tax reliefs, **generating savings up to between RM330 and RM1,520 per year, helping to improve net disposable income and support domestic demand**.

#1 Boost Consumption and Ease Cost of Living (cont.)

Individual Income Tax

Effect from
additional
individual relief of
RM3,000

Effect from
changes in
income tax
rate

Chargeable Income (RM)	Current			Budget 2027			Additional / (Savings)	
	Calculation (RM)	Tax Rate (%)	Tax Payable (RM)	Calculation (RM)	Tax Rate (%)	Tax Payable (RM)	Changes in Tax Payable (RM at upper-bound)	Changes in Tax Payable (% at upper-bound)
50,001 – 70,000	First 50,000 Next 20,000	- 11	1,500 2,200	First 50,000 Next 17,000	- 11	1,500 1,870	(330)	(8.92%)
70,001 – 100,000	First 70,000 Next 30,000	- 19	3,700 5,700	First 70,000 Next 27,000	- 18 ↓	3,700 4,860	(840)	(8.94%)
100,001 – 150,000	First 100,000 Next 50,000	- 25	9,400 12,500	First 100,000 Next 47,000	- 24 ↓	9,100 11,280	(1,520)	(6.94%)
150,001 – 400,000	First 150,000 Next 250,000	- 25	21,900 62,500	First 150,000 Next 247,000	- 25	21,100 61,750	(1,550)	(1.84%)
400,001 – 600,000	First 400,000 Next 200,000	- 26	84,400 52,000	First 400,000 Next 197,000	- 26	83,600 51,220	(1,580)	(1.16%)
600,001 – 1,000,000	First 600,000 Next 400,000	- 28	136,400 112,000	First 600,000 Next 397,000	- 28	135,600 111,160	(1,640)	(0.67%)
1,000,001 – 2,000,000	First 1,000,000 Next 1,000,000	- 28	248,400 280,000	First 1,000,000 Next 997,000	- 30 ↑	247,600 299,100	18,300	3.46%
Over 2,000,000	First 2,000,000 Subsequent	- 30	528,400 -	First 2,000,000 Subsequent	- 30	547,600 -	18,300	-

Creation of new chargeable income band

After savings of RM900
from higher individual relief

#2 Ease Cost of Doing Business

KEY MEASURES

- Reduce MSMEs preferential income tax rates by 1 percentage point: 14% on first RM150,000 taxable income and 16% on RM150,000–RM600,000.

Chargeable Income	Current		Budget 2027		Savings (Max)	
	Tax Rate	Tax Payable (RM)	Tax Rate	Tax Payable (RM)	Change in Tax Rate	Tax Savings (RM)
First RM150,000	15%	22,500	14% (↓)	21,000	-1% point	1,500
Next RM450,000	17%	76,500	16% (↓)	72,000	-1% point	4,500
> RM600,000	24%		24%		Same	

- Additional RM5.0bn BNM financing for SMEs affected by the West Asian conflict.
- RM2,000 minimum wage, up from RM1,700, effective June 2027; exempt MSMEs with annual turnover below RM50 million; more than 4 million workers covered.
- RM2,500 per month initial minimum-wage baseline for semi-skilled work and graduates under a reformed worker-income framework.
- RM3,400 per month GLIC/GLC living-wage benchmark, up from RM3,100, benefiting 230,000 workers.

COMMENTARY

- The reduction in preferential tax rates for SMEs will generate tax savings up to RM6,000, benefitting a total of 300,000 SMEs, **allowing them to retain more capital to mitigate rising operational costs and improve immediate cash flow**. Below is an illustration of tax savings:

Chargeable Income	Current	Budget 2027	Tax Savings	
	Tax Payable (RM)	Tax Payable (RM)	Tax Savings (RM)	Tax Savings (%)
(A) RM150,000	22,500	21,000	1,500	6.67%
(B) RM300,000	48,000	45,000	3,000	6.25%
(C) RM600,000	99,000	93,000	6,000	6.06%
(D) RM1,000,000	195,000	189,000	6,000	3.08%
(E) RM2,000,000	435,000	429,000	6,000	1.38%

- The 17.6% increase in the monthly minimum wage to RM2,000, with a temporary exemption given to MSMEs with annual turnover below RM50 million is expected to benefit 1.3 million MSMEs (96.2% of total enterprises). While the exemption period is not specified, the wage differentials between MSMEs and larger enterprises **may encourage workers to shift towards larger industries, potentially worsening labour shortages among MSMEs**.

#2 Ease Cost of Doing Business (cont.)

KEY MEASURES

- Provide 50% rental reduction throughout 2027 for over 10,000 small traders in DBKL premises.
- RM3,000 per small-value asset capital-allowance threshold; RM30,000 total claim cap for companies other than MSMEs.
- Allow manufacturers to reclaim sales tax on machinery, spare parts and equipment bought from local traders/distributors, and on raw materials for pharmaceuticals, animal feed, fertilisers and pesticides.
- Extend Accelerated Capital Allowance for local plant/machinery and ICT equipment/software expenditure to 31 Dec 2030.

COMMENTARY

- Despite the exempted implementation of higher minimum wage rate for SMEs, the increase would **add to business costs to large enterprises, particularly for labour-intensive industries and firms in less developed states**, where **business capacity and living costs may differ substantially**. A **regional minimum wage framework should be implemented**, taking into account local living costs, productivity and business conditions.
- **The proposed minimum salary of RM2,500 per month for semi-skilled workers and graduates may complicate the benchmarking of salary based on skills and productivity**. Interfering the wage determination market mechanism could also distort the wage structure and cause inefficient labour market outcomes.
- Currently, the median salary for semi-skilled workers was RM2,223 per month in 2025, while the median salary of graduates below 25 years old was RM2,031 in 2024. Setting the minimum wage at RM2,500 tends to have a “ripple effect” on other workers earning wages near that threshold. This ripple effect occurs when the wage received by workers earning slightly above the minimum wage.
- Beyond the direct cost of raising the lowest earners' pay, raising wages for semi-skilled workers and graduates' triggers wage compression. To maintain a fair pay gap between entry-level staff and experienced employees, businesses are often forced to bump up salaries across the board, compounding overall payroll pressures and exerting financial pressure on businesses, especially MSMEs. The resultant **increase in labour costs could constrain cash flow, hire capacity and business expansion**, while potentially **add to operating costs and inflationary pressures** if businesses pass on part of the increase to consumers.

#3 Enhancing MSMEs Financing Ecosystem

KEY MEASURES

RM57.0bn total loan facilities and financing guarantees in 2027.

- RM6.6bn total microfinance in 2027 as follows:
 - RM3.0bn AIM funds available for 360,000 entrepreneurs.
 - RM1.3bn TEKUN financing, focusing on Bumiputera entrepreneurs.
 - RM150m TEKUN/AIM financing for Indian micro-entrepreneurs.
 - RM1.7bn BSN microfinance, with dedicated provision for youth, gig workers, hawkers and vulnerable groups.
- Additional RM5.0bn BNM financing for SMEs affected by the West Asian conflict, on top of up to RM5.0bn made available previously.
- RM7.0bn BPMB Group provision across seven strategic sectors, including renewable energy, logistics, aerospace and semiconductor.
- Up to RM32.0bn SJPP/CGC financing guarantees; extend SJPP to mid-tier companies in all sectors and increase guarantee limit to RM50m; RM1.0bn SJPP guarantees dedicated to domestic-company expansion through M&A.

COMMENTARY

- The loan facilities and financing guarantees provide **greater financing support for businesses and ease operational and cash-flow pressures of MSMEs.**
- Ring-fenced financing facilities for specific business groups or sectors can also ensure that the financial support reaches businesses with distinct financing needs, including microenterprises, exporters and businesses facing external shocks.
- However, access to financing remains crucial, and application processes must be streamlined, transparent and accessible to ensure that SMEs can obtain timely support without excessive bureaucratic delays.
- It is proposed that to establish a **Consolidated Central Unit of Tracking Government Assistance Funds**, supported by a centralised digital platform to oversee and coordinate the utilisation of all government financing facilities and guarantee schemes, including monitoring of total fund availability, approval rates, and disbursement progress across financial institutions. **Periodical publishing key utilisation data and challenges** to enhance transparency and trust as well as improve the overall effectiveness of financing delivery.

#4 Driving Investment in Strategic Sectors

KEY MEASURES

- Raised the small-value asset capital allowance threshold to RM3,000, subject to an annual claim limit of RM30,000 per year of assessment and extending Accelerated Capital Allowances (ACA) up to 2030 reduces upfront costs of acquiring eligible assets.
- An additional RM5bn allocated to BNM's SME financing facility, alongside RM7bn through Bank Pembangunan (BPMB) and up to RM32bn in financing guarantees through SJPP and CGC, aims to improve funding access for businesses. Additionally, RM6.6bn microfinancing allocation through AIM, TEKUN, BSN and other schemes provides funding for entrepreneurs, hawkers, youth, gig workers and microbusinesses.
- Green Investment Tax Allowance (GITA) and related incentives be extended to 2030, providing eligible businesses with greater certainty when investing in renewable energy systems.
- The Global Services Hub (GSH) incentive offers eligible new hubs a 5% corporate tax rate and a preferential rate on qualifying income above the base level for existing hubs.
- Deploys RM2.6bn across business growth stages, including RM41m at early stages, RM0.45m via GLCs, and RM2.1bn across various funds such as the NIMP Fund.
- A combined total allocation of RM2.1bn, mobilised across the NIMP Fund, KWAP's Dana Pemacu, and Khazanah's MTC Fund, is dedicated to building and scaling the technological capabilities of mid-tier companies.
- Over RM3.7bn in business capital is unlocked for expansion and commercialisation, driven by a RM2bn GLIC investment commitment, RM1bn in TERAJU financing, RM500m from PUNB, RM250m via Dana Ciptawan, and RM40m dedicated to the 10 Juara Bumiputera scaling program.
- GLICs to lead and mobilise RM25bn through Gear-uP, RM1.26bn through New Economy Venture Fund, and a RM1.2bn semiconductor allocation to expand productive capacity in data centres, logistics, microelectronics, and advanced manufacturing.
- Allocated RM270m for equity crowdfunding (ECF) and peer-to-peer (P2P) platforms, alongside extended tax incentives for eligible ECF and angel investors until 2030.
- RM100m allocated for Penang Strategic Investment Fund aims to support early-stage semiconductor and advanced manufacturing firms.
- Tax deductions up to RM5m on qualifying relocation expenditure for locally owned automotive vendors to the Automotive Hi-Tech Valley (AHTV) between 2027 and 2030.
- Zero-tax incentive up to 20 years under the Single-Family Office framework to attract global family wealth and drive demand for professional services.
- JS-SEZ Masterplan and blueprint to be launched by the end of 2026.

#4 Driving Investment in Strategic Sectors (cont.)

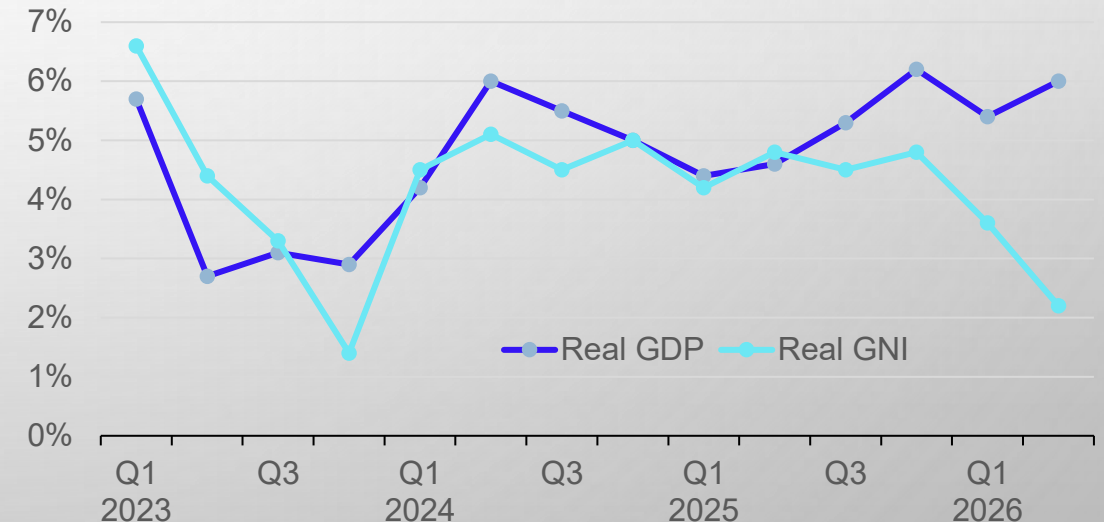
COMMENTARY

- **Higher small-value asset capital allowance threshold and extending ACA to YA2030 will improve direct cash flow & liquidity boost to SMEs**, as they can claim a 100% special allowance in the exact year of purchase instead of depreciating them over multiple years. It also allows faster recovery of costs as well as reduces cost of technology & upgrading – the RM3,000 threshold perfectly captures essential modern business tools like mid-range laptops, tablets, printers, point-of-sale (POS) systems, and office equipment. Overall, these incentives give SMEs a clear, long-term horizon to plan their capital investments. It bridges the financial gap for smaller businesses facing rising operational costs, encouraging them to invest upfront in productivity, automation, and local manufacturing without straining their short-term working capital.
- **The extension of ACA and GITA provides the firms' multi-year planning certainty and better capital expenditure allocation decisions**, while the broadening of procurement standards to include local suppliers strengthens domestic firms in supply chain participation. The Gear-uP mobilisation of RM25bn through GLICs, the RM1.2bn semiconductor allocation, and the Penang Strategic Investment Fund signal a deliberate pivot toward productive capacity expansion in high-value sectors, while the extension of ECF and angel investor tax incentives to 2030 deepens the risk capital ecosystem.
- The most structurally significant gap is the widening wedge between GDP and GNI. Driven by net primary income outflows such as repatriated profits, it suggests that not all investment-led growth translates into national income gains. **The imperative focus is to foster horizontal supply chain linkages so that MSMEs can integrate into, rather than merely service, FDI-driven manufacturing clusters.**

- **Incentives should be structured so that income generated within Malaysia's borders stays within Malaysia's national account.** These include mandating minimum local equity co-investment in incentivized projects, introducing graduated tax claw backs where the preferential rate steps up if domestic value-added falls below a benchmark share of revenue, tying incentive renewal to auditable local supplier procurement ratios, and strengthening transfer pricing enforcement calibrated to the scale of concessions offered.

Real GDP and GNI (constant 2015 prices)

Year-over-year percentage growth, %



Source: DOSM

#5 Accelerate Digitalisation and Automation

KEY MEASURES

- Extend Accelerated Capital Allowance for local plant and machinery expenditure, ICT equipment and software to 31 Dec 2030.
- Increase the capital allowance threshold for small-value assets to RM3,000 per asset, subject to an annual claim limit of RM30,000 per year of assessment.
- RM142m to strengthen NADI for young entrepreneurs' online businesses.
- RM50m to Dana UNIVC fund in collaboration with KWAP to commercialise university research.
- RM30m to MDEC for AI adoption and automation in 4,000 MSMEs and train and certify 5,000 AI professionals.
- RM15m to AI Malaysia Berhad's safe/ethical AI ecosystem, towards a 200,000 skilled-AI-worker target.
- RM10m to JOM MALAYSIA for rural products/high-value services on digital platforms and overseas markets.
- Review law/enforcement against unfair foreign e-commerce competition and unsafe goods; table E-Commerce Bill at the next Dewan Rakyat sittings to strengthen platform/merchant accountability.
- Provide free Rakyat Digital access to more than 16,000 Coursera courses and Professional Certificate programmes.
- RM6bn across Ministries for research, development and commercialisation.

COMMENTARY

- **Malaysia has relatively strong infrastructure to support digitalisation and automation, although the gaps remain in other areas.** The 2024 Global AI Index ranked Malaysia 15th in infrastructure, compared with 59th in talent and 47th in commercial activity. Meanwhile, Malaysia's Future Readiness ranking under the IMD World Digital Competitiveness Ranking declined from 36th to 40th in 2025, despite an improvement in its overall digital competitiveness ranking. **These disparities highlight the need to complement infrastructure development with stronger workforce capabilities and business readiness to fully realise the benefits of digitalisation.**
- The RM30m MDEC fund and extension of the Automation Capital Allowance (ACA) will encourage businesses to adopt advanced technologies and improve productivity. However, financial incentives alone are insufficient. **Businesses also require reliable data, skilled workers, management expertise and process redesign to integrate technologies effectively into their operations.**
- **Beyond technology adoption, greater emphasis is needed on innovation commercialisation.** In the 2025 Global Innovation Index, Malaysia ranked 39th in innovation outputs, compared with 30th in inputs, highlighting the need for stronger research-to-market linkages. **Dana UNIVC should therefore prioritise commercially viable, industry-relevant solutions, with success measured through sustained technology adoption, commercialisation outcomes and productivity gains rather than spending or participation alone.**

#6 Environment, Social, and Governance (ESG)

KEY MEASURES

- Extend green technology incentives until 31 December 2030, including Investment Tax Allowances of up to 100% for eligible green and sustainable projects and EV charging stations.
- Deploy RM1bn through Dana Iklim KWAP for green projects, including renewable energy and decarbonisation.
- RM15bn investment through TNB to strengthen the national grid.
- RM1bn investment through UEM LESTRA, including energy storage at KLIA and a 1-gigawatt hybrid power project in Johor.
- Develop the Pengerang Biorefinery with Enilive, Eni and Euglena to produce low-carbon fuels, including sustainable aviation fuel, hydrotreated vegetable oil (HVO) and bio-naphtha.
- Install village solar streetlights and rooftop solar panels on welfare homes and places of worship. Establish a RM1.5bn centralised solar park for Government buildings and dedicate 150 MW under LSS6 to Bumiputera companies.
- Upgrade public sewerage systems on Pulau Tuba, Langkawi, Redang and Tioman, and implement the RM2.5bn National Non-Revenue Water programme to replace ageing pipes.
- Introduce a buyback initiative for old fishing nets to reduce abandoned nets that endanger marine life.

COMMENTARY

- The extension of green technology tax incentives provides a longer policy horizon for businesses to invest in renewable energy, sustainable technologies and EV charging infrastructure.
- However, many MSMEs remain focused on survival and may lack the interest, financing or capacity to adopt green technologies, unlike larger firms facing regulatory and international supply-chain requirements. Hence, the providing **affordable green financing, technical assistance and increase greater awareness of the business benefits could broaden MSMEs participation.**
- While supporting green investment, **greater clarity on Malaysia's carbon pricing framework and implementation timeline**, alongside **support for emissions measurement and reporting** would help businesses plan their transition. This is crucial as the EU's Carbon Border Adjustment Mechanism (CBAM) enters its definitive phase, requiring affected exporters to account for the embedded emissions of covered goods.

#7 Boosting Exports

KEY MEASURES

- RM1.1b provided by the Government and Malaysian Airports (MAHB) to upgrade port roads and airport facilities (Sabah, Sarawak, Penang).
- Full income tax exemption for the Malaysian shipping companies extended to Assessment Year 2036; fixed stamp duty (RM2,000/RM5,000) on ship purchase or construction loans.
- Strengthen cross-border trade corridors by reviving the Tebedu-Entikong trade route with Indonesia, extending the ECRL to Rantau Panjang to boost trade with Thailand and boosting the Bukit Kayu Hitam–Sadao trade corridor.
- Matching grants for first-time Halal certification up to RM5,000 and global Halal market penetration in high-value sectors up to RM25,000.
- RM1bn through Bank Pembangunan (BPMB) to support MSMEs in exploring international export markets.
- RM60m allocated to MATRADE to build local companies' capacity to penetrate and diversify into international export markets.
- RM10m for Jom Malaysia to bring rural products into digital and export markets.
- GLC and PETRONAS procurement guidelines updated to measure vendor success based on international market penetration (pasaran baharu yang berjaya ditembusi).

COMMENTARY

- **Widening the existing double tax deduction** to further include the cost of entering a market: legal opinions, regulatory registration and compliance.
- **Prioritising funded, market-by-market advisory services.** This should specifically address regulatory compliance, contract disputes, and cross-border litigation to significantly reduce entry compliance hurdles and operational costs for expanding exporters through a shared MATRADE legal desk that enables small exporters the legal protection that large firms maintain in-house.
- **E-commerce market access deserves dedicated support.** The Market Development Grant (MDG) coverage should be expanded to include e-commerce platform listing and selected promotional fees for Made by Malaysia products.
- **Consider to resume MATRADE's eTRADE Programme**, which previously provided up to RM5,000 for onboarding and RM20,000 for digital marketing and training per company, would directly support SMEs in establishing cross-border e-commerce presence.

#8 Talent Development

KEY MEASURES

- RM69.0bn to Ministry of Education, RM19.1bn to Ministry of Higher Education, and RM8bn to TVET across ministries.
- RM3bn to HRD Corp for 3 million skills training opportunities (incl. continuing professional development).
- Minimum wage baseline framework of RM2,500 per month for semi-skilled and graduates.
- Living wage of RM3,400 per month as benchmark for the GLIC/GLC.
- Target 30,000 new jobs through BAKAT MADANI in 2027, with tax deductions for companies providing training from 29 Jun 2026 - 31 Dec 2030.
- Tax deduction to employers making PTPTN repayments on employees' behalf from 1 Jan 2027 - 31 Dec 2028.
- Defer 2027 PTPTN repayments for borrowers earning up to RM2,500 per month; require minimum RM50 repayments for income RM2,500-RM3,000 per month.
- Provide 100,000 additional free youth AI subscriptions and expand applications to include ChatGPT.
- Expand education and skills fees relief to all fields of study and children's tuition.

COMMENTARY

- With 35.2% of tertiary-educated workers experiencing skill-related underemployment in Q2 2026, **a uniform graduate wage floor could discourage entry-level hiring where initial productivity does not justify the required pay, although this risk is not inevitable.**
- An official wage benchmark could also **anchor starting salaries around the minimum, potentially limiting wage differentiation by skills and performance, as well as distorting market dynamics.** We recommend monitoring graduate employment and wage trends, linking BAKAT MADANI to relevant job placements and career progression, and communicate the benchmark as minimum protection rather than a recommended market salary.
- Meanwhile, AI adoption in education should remain at enhancing learning rather than replacing independent thinking. Easy access to AI-generated answers may reduce the active problem-solving needed to develop understanding. A 2025 randomised study involving high-school mathematics students found that **unrestricted AI assistance weakened subsequent performance without AI, while appropriate tutoring safeguards largely mitigated this effect.**
- **This is particularly concerning given resource constraints and limited policy monitoring within the education system.** We therefore recommend strengthening age-appropriate AI literacy, teacher guidance, hint-based learning tools and assessments of independent reasoning, while preserving opportunities for peer interaction.

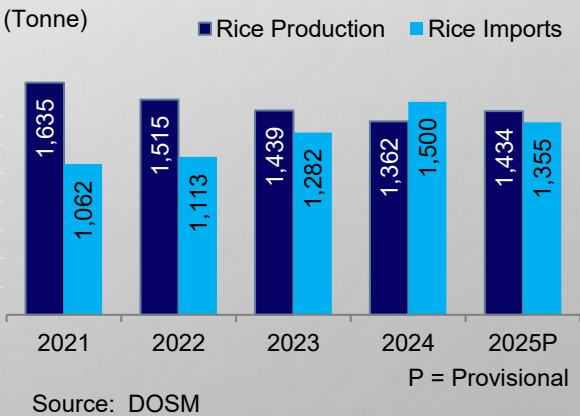
#9 Agriculture Development

KEY MEASURES

- Total allocation for paddy farmers is RM2.62bn, unchanged from last year, including an increase in Insentif Penuaian Padi to RM100 per hectare, maintaining and extending the RM300 Insentif Pembajakan to Sabah and Sarawak, and allocating RM20m to foliar fertilisers across more than 10,000 hectares.
- Handouts to the fisheries and aquaculture sector featuring RM178m for living allowances and catch incentives up to RM300/month, along with RM30m to expand special sampan licenses to 20,000, a capped diesel price at RM1.65 per litre, and RM40m financing for operational and financial needs.
- Major physical upgrades include the Pedu Dam Rehabilitation to support 15 paddy blocks, allocation for estate road repairs, construction of community fishermen's jetties, and infrastructure development under the NCER Agribio Economic Zone.
- Raise the Insentif Pengeluaran Getah to RM3.3/kg from RM2.5/kg in 20, benefiting over 300,000 smallholders.
- Oil palm replanting support includes a RM100m hybrid scheme, alongside RM200m in soft financing for up to 40 hectares featuring a 2% interest rate and a 4-year repayment grace period.
- Approved RM1.26bn for FELDA settlers alongside over RM1bn for agri-entrepreneurs, including over RM40m targeting high-value niche products.
- Allocated RM300m to drive joint regional food security projects.

COMMENTARY

- The incentives are expected to partially ease operating costs of the paddy growers given the significant rise in input costs.
- Almost every item tops up existing arrangements. Lack of meaningful structural reforms to address the structure of food security, especially paddy, where the rice SSR fell from 60.9% (2021) to 54.3% (2025p). The unchanged retail ceiling price of RM2.60/kg since 2014 warrants a revisit, as it has squeezed millers and disincentivise for farmers to invest in better agronomic practices. A phased adjustment should be pursued to restore price signals across the value chain.
- **Targeted arable land allocation remains a priority.** The Government should continue to encourage GLCs with underutilised land assets to lease suitable land to agrofood growers and industry players, prioritising agrofood commodities with lower self-sufficiency ratios (SSR), through transparent PPPs, farmer cooperatives and long-term leases, with funding tied to data-driven and measurable outcomes.
- **R&D must follow.** Existing allocations should prioritise high-impact research to improve yields, reduce production costs and strengthen climate resilience. Greater emphasis should also be placed on commercialising research and accelerating its adoption by farmers.



#10 Infrastructure & Property Development

KEY MEASURES

- RM3.3bn to road projects in Sabah and Sarawak (incl. Trans Borneo Highway, SSLR 1 and Pan Borneo Sabah Phase 1B).
- RM3.3bn overall for rural basic infrastructure, including village streetlights, community amenities, clean water and electricity.
- RM2.5bn for the maintenance of Federal road.
- RM2.5bn to National Non-Revenue Water programme.
- RM2.3bn for the rural road projects.
- RM320m to repair and upgrade slopes, ditches and drains in PBT areas.
- RM100m for retention ponds and river maintenance in the Klang Valley, alongside five flood measures.
- RM1bn to Rumah Mesra Rakyat and Program Residensi Rakyat.
- RM20bn to SJKP housing financing guarantees for 80,000 first-home buyers.
- Full stamp duty exemption on loan agreements and transfer instruments for first homes up to RM500,000; for homes up to RM750,000, full exemption for the first RM500,000 and 50% for the balance.

COMMENTARY

- **Climate change and an ageing population require development planning that anticipates evolving risks and needs, with resilient infrastructure playing a central role.** Effective flood protection safeguards economic activity, while reliable utilities and accessible public spaces support independent living among older persons.
- Although Malaysia's recorded flood losses declined from RM933.4m in 2024 to RM636.9m in 2025, damage to public assets and infrastructure increased by 25.3% to RM380.2m, accounting for 59.7% of total losses. **This underscores the need to prioritise infrastructure improvements and maintenance based on flood exposure, service criticality and lifecycle costs, supported by coordinated catchment-level planning.**
- **Beyond infrastructure, housing and neighbourhood development must also adapting to changing needs.** Urban renewal offers opportunities to improve flood resilience, housing accessibility and connectivity to essential services. However, the proposed Urban Renewal framework must also safeguard residents' interests through transparent consent, fair compensation and protection against displacement. Redevelopment should be needs-based, with rehabilitation considered where feasible.
- Meanwhile, **stamp-duty exemptions for qualifying rescue developers, contractors and original buyers can facilitate the revival of abandoned housing projects**, although financing and completion risks remain. Enhanced first-home stamp-duty relief reduces transaction costs, but broader housing affordability challenges require more comprehensive measures.

#11 Tourism Boost

KEY MEASURES

- Extend the Visit Malaysia Year campaign through 2027 and allocate RM935m (RM705m in 2026) to tourism and culture.
- Provide industry grants for tourism promotion and events, upgrade jetties and potential UNESCO heritage sites, and organise a Cultural Festival alongside the SEA Games.
- Provide matching grants for new international direct flights and charter services from China, India, Central Asia and Europe.
- Extend matching-grant support to cruise ships, ferries and tour coaches bringing international tourists to Malaysia.
- Extension of individual income tax relief of up to RM1,000 for tourism expenses for YA2027.
- Increase the duty-free purchase threshold for visitors and tourists in Langkawi and Labuan to RM10,000, subject to a minimum stay of 48 hours.
- Expand import duty exemptions for products manufactured in Langkawi.
- Upgrade attractions in Terengganu, including Setiu Wetlands, Tasik Kenyir, Pulau Tenggol and Pulau Bidong.
- Extend tax incentives for international conventions, exhibitions and incentive travel through the 2030 assessment year.
- Provide incentives for local and international film and animation productions in Malaysia, with additional incentives for works featuring Malaysian culture and nationhood.

COMMENTARY

- **Malaysia's tourism sector has shown positive momentum in 2026**, recording 28.8 million international visitors (+1.8% YoY) from January to August. While these measures help to boost tourism growth, sustaining this momentum requires attracting more visitors and increasing their average spending as well as address **structural problems** such as limited transport access, uneven destination quality, inconsistent service standards and insufficient tourism products in less developed areas.
- **While matching grants can boost tourism connectivity initially, their long-term success hinges on commercial viability once government subsidies phase out.** Routes that fail to maintain high passenger demand (load factors) and revenue targets risk being discontinued by operators. Build route sustainability through robust destination marketing to boost organic demand, ensuring profitable load factors and healthy average yields per passenger, and forming strategic partnerships to aligning airline, cruise, and coach operators with local tourism boards to bundle travel experiences.
- The extension of tax incentives for organising conferences and exhibitions until 2030 will **provide greater certainty for the industry to plan events further ahead**. However, the **minimum foreign participant threshold should be reviewed and lowered** to 700-1,000 participants to broaden eligibility and encourage greater uptake of the incentives.

#12 Social Harmony & Protection

KEY MEASURES

- Draft RUU Warga Emas (Senior Citizens Bill) to address neglect and strengthen comprehensive care.
- Reduce the service tax rate for senior citizens' care from 8% to 6% from 1 Jan 2027, with full exemption for care fees up to RM96,000 per year.
- Expand parent and grandparent care relief to all care expenses, beyond healthcare.
- RM40m to HRD Corp to train 8,000 eldercare workers.
- Offer i-Emas monthly withdrawals for KWSP members reaching ages 55 and 60, while remaining balances continue earning dividends.
- RM1.5bn to OKU assistance funding for more than 300,000 people.
- RM600 per month care assistance for bedridden OKU and chronic patients.
- Increase the income eligibility threshold for Elaun Pekerja Orang Kurang Upaya from RM1,700 to RM2,000
- RM200m Geran Sejahtera MADANI for equipment/training for 40,000 recipients, particularly women.
- Increase the cumulative maternity leave entitlement for public servants from 360 to 490 days throughout their service, with up to 98 days per childbirth.
- RM20m to upgrade childcare facilities in government departments.

COMMENTARY

- **Malaysia's ageing transition requires policies that support health, independence and economic security, beyond simply extending life expectancy.** According to NHMS 2025, among Malaysians aged 60 and above, 73.1% had raised blood pressure, 76.2% had raised total cholesterol and 39.1% had diabetes, including diagnosed and undiagnosed cases.
- **These findings underscore the need for preventive healthcare, early detection, long-term disease management and support for independent living.** The proposed Senior Citizens Bill is a welcome step towards protecting older persons, while eldercare training, NICE centres and tax measures should deliver affordable, accessible and quality care services.
- **Care services also contribute to economic participation.** NHMS 2025 reported caregiver burden among 32.2% of primary informal caregivers, while female labour-force participation stood at 56.6% in Q4 2025. A World Bank study (2019) estimated that removing economic barriers faced by women could raise Malaysia's income per capita by 26.2%. Expanding affordable eldercare and childcare could ease unpaid caregiving responsibilities, support women's employment and mitigate ageing-related labour constraints.
- **Policy support should therefore strengthen the care-sector employment, expand accessible services for older persons and persons with disabilities (OKU), and support family caregivers.** Success should be measured through care capacity, affordability, service quality and sustained workforce participation, rather than training numbers alone.

#13 Fiscal Sustainability and Institutional Reforms

KEY MEASURES

- Continue pursuing Prime Minister's term limits and a separation of Attorney General and Public Prosecutor roles.
- Draft Government-owned Entities Bill covering Government companies/statutory bodies to strengthen public-fund/asset governance.
- Reaffirm that Federal Statutory Bodies' repayments and interest from loans financed directly through Federal's operating/development allocations must be reused only for approved purposes/target groups, not unrelated or operating expenditure.
- Disclose project contractor/contract values alongside the Government Procurement Act implementation in 2027.
- Reform criminal/evidence law, strengthen public defence and protect victims, children and vulnerable groups; study for establishing Suruhanjaya Reformasi Undang-Undang Malaysia and review contract, sale-of-goods and mediation law.
- Fiscal deficit to decline to 3.3% of GDP in 2027; targeting 3.0% of GDP by 2028.
- Federal Government debt to decline to 64.0% in 2026, projecting 63.7% in 2027.

COMMENTARY

- Continued institutional reform is crucial. The implementation of the Parliamentary Services Act 2025 restores Parliament's administrative independence after 34 years, is a milestone in institutional reform. It strengthens Parliament's capacity and reinforce its role in legislative scrutiny, accountability and the system of checks and balances.
- **The Government Procurement Act 2026 [Act 882], which was gazetted on 26 May 2026, should be enforced without undue delay.** Beyond strengthening procurement governance and transparency, the framework should be leveraged to support the "Buy Malaysian" initiative, using the policy flexibility under Section 29 to encourage domestic manufacturing, strengthen local supply chains and generate wider economic benefits, while maintaining open and competitive procurement as the primary objective.
- The Ministry of Finance should publish a dedicated annual reporting to ensure that funds collected for specific programmes or target groups, including sector-specific levies and their associated proceeds (such as the windfall palm oil levy for COSS), are channelled back to support their intended beneficiaries, with transparent reporting on collection and utilisation.
- **A whole-of-government approach is needed to sustain credible regulatory reform.** All existing and newly introduced regulations, permits, licensing requirements and compliance obligations should be centrally documented under the ILTIZAM framework. Ministries and agencies should notify the ILTIZAM Task Force of proposed new requirements for assessment of their necessity, compliance costs and impact on businesses, ensuring that reductions in one area are not offset by additional burdens elsewhere.

FOUNDATION 1: ADDRESSING THE COST OF LIVING FOR THE RAKYAT

Initiative	Key measures and initiatives
1. Cost-of-living Assistance	• RM80.3bn for subsidies, assistance and incentives in 2027, including an estimated RM40.0bn in fuel subsidies and nearly RM3.3bn in Jabatan Kebajikan Masyarakat assistance. • RM16.0bn for STR and SARA, up from RM15.0bn. • Up to RM150 per month or RM1,800 annually in SARA for all STR recipients, benefiting up to 9 million recipients. • RM100 in SARA MADANI on each of two occasions for citizens aged 18+ who are not STR recipients, before Aidilfitri and the 70th Merdeka anniversary; benefiting up to 13 million people, including M40 on February and August 2027. • Expand SARA purchases to fresh food and produce at 216 FAMA pasar tani or tamu nationwide. • Increase participating small grocery shops to 10,000 by end-2026. • RM750m for Jualan RAHMAH MADANI and Jualan Agro MADANI, up from RM630m; target 35,000 events: 30,000 Jualan RAHMAH covering all DUN, with greater rural, low-cost housing and urban PPR coverage, vending-machine participation and Jualan RAHMAH MADANI Borong; and 5,000 Jualan Agro MADANI offering fresh produce at 10% to 30% lower prices. • RM250m to expand essential-goods distribution in rural and interior areas such as Moyong, Papar, Pusa, and including six new locations such as Kampung Terian, Penampang, Sabah and Kampung Dato' Godam, Pusa, Sarawak. • RM12,000 individual personal tax relief, increased from RM9,000. • Reduce resident individual income tax rates by 1 percentage point: to 18% for taxable income RM70,000–RM100,000 and 24% for RM100,000–RM150,000. • Expand medical-treatment relief to postnatal care services. • Expand parent and grandparent care relief to all care expenses, beyond healthcare. • Expand sports-equipment relief to sports shoes capped at RM300. • Expand education and skills fee relief to all fields of study and children's tuition. • Expand lifestyle relief to AI subscriptions and vaccination and adoption costs for pets from registered centres. • Adjust income tax rate for income exceeding RM1 million to 30%. • RM9.8m covering KITA AKTIF Pengguna, LENSEA Pengguna, and financial assistance to consumer NGOs. • RM1.5m to expand Program Patuk KPDN to 150 public markets, 40 highway R&Rs and lay-bys, 16 new tourism destinations, and 16 food courts to cultivate ethical and transparent business practices. • Implementation of NCLAP30 to strengthen the government's response to cost-of-living issues.
2. Decent Wages for the Rakyat	• RM2,000 minimum wage, up from RM1,700, effective June 2027; exempt MSMEs with sales below RM50 million; more than 4 million workers covered. • RM2,500 per month initial minimum-wage baseline for semi-skilled work and graduates under a reformed worker-income framework. • RM3,400 per month GLIC/GLC living-wage benchmark, up from RM3,100, benefiting 230,000 workers. • Restrict companies other than MSMEs' wage-expense tax deductions to payments through bank accounts in accordance with permitted Employment Act 1955 channels from the year of assessment 2028.

Initiative	Key measures and initiatives
2. Decent Wages for the Rakyat (cont.)	• Introduction of Dapur iTEKAD KITA, particularly in People's Housing Projects (PPR), allowing entrepreneurs to share commercial-grade premises and equipment at low costs, alongside access to training, halal certification, packaging, financing, and market channels. • RM67.0m to introduce imGIG digital platform connecting gig workers with various support services, including financing, protection, and skills development.
3. Rights of Gig Workers	• Finalise gig minimum earnings, earnings formula and minimum social protection standards through Majlis Perundangan Gig in early 2027; currently under consultation. • RM160m Government–Grab co-funded package from 2027 for e-hailing/p-hailing minimum earnings, vehicle maintenance and insurance assistance, and PERKESO contributions; projected median e-hailing net-income gain up to RM227 per month and p-hailing gain up to RM100 per month. • Provide 35% PERKESO matching contributions for e-hailing/p-hailing workers; increase to 50% where platform companies also contribute. • RM30m to provide social protection under Skim LINDUNG Kendiri: ○ 70% PERKESO matching contributions for over 200,000 self-employed people in 17 non-mandatory sectors. ○ 100% coverage of MADANI Contributions for over 220,000 volunteers, personnel at places of worship, and community-based rehabilitation workers, as well as 880 Public Sector Contract for Service (CFS) staff with over 10 years of service. • Expand PERKESO tax relief to mandatory Skim Lindung Kendiri contributions; provide additional relief up to RM150 for voluntary Skim Lindung 24 Jam and Lindung Kendiri contributions. • RM380m for up to RM600 annually or RM6,000 lifetime in KWSP matching contributions for e-hailing/p-hailing drivers' retirement savings. • RM270m in BSN/Agrobank financing for gig workers to start businesses and buy their first home. • Regulate p-hailing comprehensively under APAD and LPKP. • Automatically register every citizen as a KWSP member upon reaching age 18.

FOUNDATION 2: PRIORITISING EVERY STATE

Initiative	Key measures and initiatives
4. Equitable Development across States	• RM100m for Klang Valley retention ponds and river maintenance; implement five agreed Federal–Selangor flood measures, including assessing Batu and Klang Gate dams' capacity for the next 30 years. • Initiate a study for the multipurpose Lebir Dam to mitigate flood risks for 320,000 residents and support raw water supply, irrigation and hydroelectric generation; continue Machang water-treatment plant construction and old-pipe replacement in Kelantan. • RM100m Dana Pelaburan Strategik by Khazanah/InvestPenang for early-growth semiconductor and advanced-manufacturing companies. • Implement Johor Bahru e-ART; ahead of RTS Link opening, increase stage-bus routes/frequencies and KTM Komuter frequencies, and provide Grab Shuttle services in priority areas. • Intensify LuMIC maritime-hub development in Lumut and Automotive Hi-Tech Valley development in Tanjong Malim. • Up to RM5m in eligible relocation costs deductible for fully locally owned automotive vendors relocating to Automotive Hi-Tech Valley; expenditure incurred 1 Jan 2027–31 Dec 2030. • Develop Melaka Centre of Excellence's high-tech TVET employment pathways; implement river rehabilitation and RTB Sungai Rambai. • Support MVV 2.0 with a new Nilai–Labu–Bandar Enstek road, Jalan Pajam–Nilai–Salak upgrading and KVD 2. • Support development along ECRL in Pahang, including heavy industry in Bentong and people's housing near KotaSAS station. • Develop Chuping Valley Development Area and NCER Agribio Economic Zone infrastructure; equip Perlis Inland Port with scanners. • Prioritise the Five Paddy Cropping Seasons in Two Years Project in MADA areas to increase paddy yields and farmers' incomes. • RM20m for the nationwide Local Industry Skills Programme (KIS), in collaboration with state governments, to provide skills training based on local industry needs through state training centres, including KISMEC, MiCoST, NSSDC, SSTC and TATI. • RM5m to upgrade public market infrastructure and community-based tourism facilities in Terengganu. • RM5m for the Creative Economy Matching Grant in Selangor. • Upgrade Setiu Wetlands, Tasik Kenyir, Pulau Tenggol and Pulau Bidong attractions; construct a regional sewage-treatment plant and sewerage network in Kuala Terengganu. Johor • Implement the Stage Bus Service Transformation (SBST) Programme under the OE-to-DE initiative. • Construct the new Ambulatory Care Centre (ACC) and Specialist Clinic Complex at Hospital Sultanah Aminah, Johor Bahru, Phases 1 and 2. • Implement the Rapid Transit System Link (RTS Link) project. • Construct a railway station at Arena Larkin, Johor Bahru. • Develop Phase 1 of the Universiti Sains Islam Malaysia (USIM) Teaching Hospital Complex in Kota Tinggi. • Construct a new grade-separated interchange at KM18.0 of the Malaysia–Singapore Second Link Expressway and improve the Gelang Patah (J4) road network towards Sultan Ibrahim Stadium. • Implement a wild elephant population mitigation and management programme in Johor. Kedah • Develop basic infrastructure for Industrial Zone Phase 5 at Kulim Hi-Tech Park. • Develop infrastructure supporting five paddy cropping seasons within two years in the Muda area under MADA through a public–private partnership/private finance initiative (PPP/PFI). • Upgrade and rehabilitate national base-point infrastructure at Pulau Perak, Yan. • Conduct a preliminary study to upgrade the road connecting Kedah Rubber City to Kuala Nerang under NCER. • Provide loan financing for oil palm and rubber replanting and new planting in Kedah. • Implement the Smart City Public Safety Empowerment Programme in local authority areas. • Upgrade the Kuah Regional Sewage Treatment Plant (LKI026) with alternative water resource production facilities serving part of the Kuah catchment in Langkawi.

Initiative	Key measures and initiatives
4. Equitable Development across States (cont.)	Kelantan • Conduct a feasibility study for the proposed Lebir Dam. • Construct the Machang Water Treatment Plant, including main pipelines, balancing tanks and associated works. • Undertake preliminary works, including design and land acquisition, to upgrade Federal Route FT003 from the Terengganu–Kelantan border (Section 656.80) to Sungai Gaal Bridge (Section 663.80), Pasir Puteh. • Construct a food court at the Bukit Merbau Sports Complex, Bukit Jawa, Pasir Puteh. • Implement the Smart City Public Safety Empowerment Programme in local authority areas. • Upgrade KEMAS early childhood education facilities in Kelantan. • Upgrade Medan Usahawan at Sultan Muhammad IV Stadium, Kota Bharu. Melaka • Upgrade the Krubong–Durian Tunggal flood retention pond into a dual-purpose facility for flood mitigation and water supply. • Implement the Sungai Baru Flood Mitigation Scheme. • Implement the Bandar Jasin Flood Mitigation Scheme. • Implement the Sungai Ayer Salak (Baru) Flood Mitigation Scheme. • Undertake river estuary conservation projects across Melaka. • Upgrade facilities and procure equipment for the Electrical Wiring (PW2) and Building Electrical specialisation programmes. • Construct an access road to the Sungai Udang Solid Waste Management Facility. • Develop oil palm and rubber replanting and new planting areas in Melaka. • Procure equipment for the Home Science elective subject in 22 national secondary schools in Melaka. Negeri Sembilan • Construct a new road connecting Bandar Baru Enstek, Seremban, to the KLIA Ring Road in Sepang, Selangor. • Construct a new Nilai–Labu–Bandar Enstek road under Malaysia Vision Valley (MVV). • Construct a new interchange at KM276.5 of the North–South Expressway (PLUS), Nilai, under MVV 2.0. • Construct a new road from Ulu Bendul to Tanjung Ipoh, Kuala Pilah. • Construct the Sawah Raja barrage and off-river storage facility in Rembau. • Construct the new SK Nilai Impian 2 in Seremban. • Construct a new Negeri Sembilan State Library building. Pahang • Upgrade Federal Route FT1486 from the Bukit Goh traffic-light junction to KotaSAS, Kuantan. • Upgrade the Kampung Mukut public jetty on Tioman Island. • Expand bus-stop construction across Pahang. • Develop a new boiler technology training field at ADTEC JTTM Jerantut Campus. • Construct the Jelai Community College campus.

Initiative	Key measures and initiatives
4. Equitable Development across States (cont.)	Perak • Develop the third regasification terminal (RGT-3). • Implement the Northern Perak Water Supply Scheme. • Upgrade industry-based motorcycle technology course certification to National Certification Levels 3/4 at GIATMARA Tanjung Malim. • Construct a 2.160 km main access road to Silver Valley Technology Park (SVTP) via Jalan A1 Jelapang–Chemor, Hulu Kinta. • Develop oil palm and rubber replanting and new planting areas in Perak. • Repair slopes, landslide damage, infrastructure and government facilities on Pulau Jarak, Lumut. • Implement Phase III of the Perak Social Amenities Programme. Perlis • Develop the NCER Agribio Economic Zone (NAEZ) in Chuping. • Develop infrastructure in the Chuping Valley Development Area under NCER. • Upgrade the heritage Clock Tower Building in Kangar. • Develop a Local Entrepreneur Complex in Kuala Perlis. • Strengthen fishermen's markets in Perlis. • Upgrade KEMAS early childhood education facilities in Perlis. Penang • Implement traffic dispersal improvements between Juru and Sungai Dua Toll Plaza along the North–South Expressway. • Implement the Penang Mutiara Line LRT project. • Upgrade public parks in Penang. • Implement the Penang STEM Talent Blueprint pilot project. • Construct the Women and Children Block at Penang Hospital. • Construct the Specialist Clinic and Ward Block at Penang Hospital. Sabah • Implement the Sabah Pan Borneo Highway project. • Implement the Sabah Integrated Paddy Cultivation Programme. • Develop Phase 1 of the Centralised Warehouse at Sipitang Oil and Gas Industrial Park (SOGIP). • Construct, renovate and upgrade dilapidated Ministry of Education institutional buildings classified as Scale 6 in Sabah under the 2027 programme. • Strengthen public infrastructure and strategic community security in the Eastern Sabah Security Zone (ESSZONE). • Implement Phase 1A of the Southern Link Transmission Line to strengthen the electricity grid from Sipitang to Upper Padas, including infrastructure and land compensation. Sarawak • Develop the Sarawak Cancer Institute. • Construct the Sarawak–Sabah Link Road from Lawas to the Long Lopeng junction. • Implement Phase II of the Sarawak Rural Connectivity Road Programme. • Implement the Sarawak Bumiputera Special Programme under the Native Customary cluster. • Maintain federal roads in Sarawak under Programmes G1–G4. • Expand bus-stop construction across Sarawak. • Construct, renovate and upgrade dilapidated Ministry of Education institutional buildings classified as Scale 6 in Sarawak under the 2027 programme.

Initiative	Key measures and initiatives
4. Equitable Development across States (cont.)	Selangor • Develop Port Klang's third terminal on Carey Island as a federal port. • Develop the proposed Bandar Malaysia–Seri Kembangan Expressway (BSE). • Upgrade mechanical and electrical components at Klang Gates Dam for flood mitigation. • Implement Phase 2 of the Integrated Dam Safety Enhancement Project at Batu Dam. • Develop, upgrade and maintain retention ponds and rivers in Selangor to prevent flash floods. • Procure maintenance, repair and overhaul (MRO) services and supplies for nine Class 93/2 Electric Train Sets (ETS). • Undertake comprehensive mid-life refurbishment of 38 Class 92 six-car train sets. • Upgrade three junctions along Jalan Subang to Persiaran Jubli Perak (FT3214), Petaling. • Upgrade the pilot margarine plant. Terengganu • Construct a regional sewage treatment plant and sewerage pipeline network, including rationalisation works, in the Kuala Terengganu urban catchment. • Upgrade major tourism attractions, including Setiu Wetlands, Tasik Kenyir, Pulau Tenggol and Pulau Bidong. • Construct a replacement Type 3 Health Clinic with staff quarters in Jabi, Besut. • Replace and upgrade centralised air-conditioning systems, including chillers and air-handling units (AHUs), at Ministry of Health facilities in Terengganu. • Provide loan financing for oil palm and rubber replanting and new planting in Terengganu. • Develop basic infrastructure and associated works for part of Lot PT22979, Lot P, Kertih Industrial Area, Kemaman. Federal Territories and Nationwide Projects • Implement Phase II of Taman Persekutuan Bukit Kiara, Kuala Lumpur. • Implement departmental vehicle leasing under the OE-to-DE initiative. • Implement PDRMNET leased network services under the OE-to-DE initiative. • Construct, renovate and upgrade dilapidated Ministry of Education institutional buildings classified as Scale 6 in Peninsular Malaysia under the 2027 programme. • Upgrade and maintain public facilities in tourism areas.
5. Prosperity for Sabah and Sarawak	• RM3.0bn in interim special grants to Sabah and Sarawak (RM1.5bn each). • Complete 12 matters relating to the Malaysia Agreement 1963 (MA63), including permanent Sabah and Sarawak representatives on LHDN, the transfer of port and Bintulu LNG regulatory authority to Sarawak, and electricity regulatory authority to Sabah. • RM209m continuing Federal subsidy for AirBorneo services, benefiting 820,000 interior passengers. • RM600m continuing Federal support for electricity-supply continuity in Sabah. • RM18.7bn Federal allocation for Sabah, up from RM17.6bn; RM16.2bn for Sarawak, up from RM15.1bn. • RM35m to increase the Public Service Department (JPA) sponsorship quota by 2,100 students each from Sabah and Sarawak, benefiting 4,200 recipients. • Begin formal negotiations on Zon Ekonomi Khas Sibu's incentives, one-stop investment facilitation and strategic infrastructure. • RM204m cost to install Statcom systems at Dam Road and Segaliud main intake substations; continue Southern Link transmission line in Sabah. • RM3.3bn in 2027 for road projects; Trans Borneo Highway Miri section Letter of Acceptance issued, with Limbang/Lawas expected by end-2026; SSLR 1 and Pan Borneo Sabah Phase 1B targeted for completion by end-2027. • RM3.3bn in total road project allocations for Sabah and Sarawak, including RM350m specifically for road maintenance by G1–G4 contractors. • RM8m for Kampung Numbak Residential College at Universiti Malaysia Sabah (UMS), providing accommodation for 3,078 students.

Initiative	Key measures and initiatives
6. A Capital for the Rakyat	• Continue Warisan KL conservation, focusing next on Menara Dayabumi, Kuala Lumpur Railway Station and KTMB headquarters. • Exempt entertainment duty for arts, culture, entertainment and sports activities at Stadium Merdeka and Stadium Negara. • RM400m by DBKL for 120 acres of new green space, park restoration and facility/public-housing upgrades. • Gazette 100 acres of leasehold land in Bukit Kiara as Taman Persekutuan for public use. • Construct 22km of covered pedestrian walkways connecting landmarks and neighbourhood services; provide buggies at attractions, particularly for senior citizens. • Convert DBKL buildings at Anjung Kelana Taman Desa and Pasar Sementara Cheras into two senior-citizen day centres. • RM89m to continue Program Lestari Niaga and PA/PPR Maintenance Programme, including hawker centres, modular kiosks, market and food court upgrades, and public housing maintenance. • RM32.9m for the maintenance, conservation and upgrading of the KL Heritage Trail, including the Kuala Lumpur Memorial Library, Tugu Negara Complex, Pintasan Saloma and heritage corridors. • Strengthen integrity in Kuala Lumpur's administration by introducing minister-chaired OSC Committee meetings, opening the OSC portal for public feedback, abolishing the Mayor's expenditure approval authority and mandating body cameras for DBKL enforcement officers during market operations. • RM7m to upgrade playgrounds, outdoor gyms, community fields and recreational facilities in Kuala Lumpur using universal design principles. • RM1.5m for solar-powered lighting along 1.5 km of the Green Heritage Zone. • RM5m to replace four ageing escalators and one lift at Dataran Putra.
7. Basic Infrastructure and Housing	• RM2.3bn for rural-road projects, compared with RM1.3bn in 2022. • RM3.3bn overall for rural basic infrastructure, including village streetlights, community amenities, clean water and electricity. • RM3m for TNB to install solar street lighting and rooftop solar panels at welfare homes and places of worship, and electrify tahfiz schools, pondok institutions and Orang Asli settlements. • RM2.5bn programme cost for National NRW, focusing on replacing 1,900km of critical old pipes. • RM5.0bn to strengthen nationwide internet connectivity through JENDELA 2, expanding broadband coverage to 1,000 rural and remote locations; internet coverage along more than 7,000km of JKR and FELDA roads and 1,700km of KTMB, JKNS and ECRL railway lines; and the MADANI Submarine Cable Connectivity Project (SALAM), involving 5,582 submarine cables and 10 landing stations across Peninsular Malaysia, Sabah and Sarawak. • RM400m for Small Public Infrastructure Projects and Inisiatif Kemudahan Rakyat (IKR) to repair village roads, drainage systems and community facilities based on requests from residents and agencies. • Develop Bandar MADANI Bukit Jalil with integrated amenities, including vertical schools; open Phase 1 registration on Monday following the speech (12 Oct 2026) • RM50m to rebrand Kampung Angkat MADANI as Komuniti Angkat MADANI, expanding its scope to urban communities, including PPR residents; collaborate with universities and TVET institutions to provide skills training, shared kitchens, business equipment and income-generating opportunities.. • RM963.3m for Rumah Mesra Rakyat and Program Residensi Rakyat, including new housing projects in Kulai (Johor), Nilai (Negeri Sembilan), Paya Rumput (Melaka) and Pertang. • RM50m to continue Sekolah Angkat MADANI, covering 500 schools with private-sector participation. • RM105.4m for repairs and upgrading of infrastructure in Chinese New Villages, including reconstruction of ageing facilities. • RM80m for the maintenance, repair, renovation and emergency restoration of non-Muslim houses of worship, alongside crematorium upgrades to improve safety and funeral management. • RM100m matching grant by GLIC/GLC foundations, including childcare-ecosystem support and training 6,000 carers in over 50 new areas across nine states. • Introduce Sukuk Simpanan Runcit Bertoken using blockchain; investors may direct Government sukuk funds towards education, healthcare or social protection for poor households. • RM689m for Program MAMPAN MADANI to upgrade stalls, public markets, drainage systems at flood hotspots, public toilets and taxi stands, including AI-enabled CCTV and IoT sensors for local authority monitoring; develop Gerai MADANI and redevelop Kompleks Penjaja Jalan Chui Yin, Pasar Buntong and Tapak Penjaja Hill Trace.

Initiative	Key measures and initiatives		
7. Basic Infrastructure and Housing (cont.)	- Upgrade trading facilities through State Economic Development Corporations, including the named projects; RM50.1m to upgrade and refurbish MARA hawker centres and stalls; and RM3m to continue Tamu Desa in Sabah and Sarawak. - Propose full stamp duty exemption on loan agreements and transfer instruments for first homes up to RM500,000; for homes up to RM750,000, full exemption for the first RM500,000 and 50% for the balance, for SPAs executed 1 Jan 2027–31 Dec 2030. - RM47m for the BALB Late Applicant Programme to connect 500 rural homes to treated-water supply. - RM70m under the Malaysia Housing Maintenance Fund (TPPM) for roof repairs and replacement and common-property maintenance in qualifying private low-cost and low-medium-cost strata housing priced below RM200,000. - RM27.9m to upgrade six UTCs in Johor, Melaka, Negeri Sembilan, Terengganu, Kuching and Kota Kinabalu with career hubs, MADANI kiosks, cash assistance information hubs and centralised queue systems. - RM4m for NanoMalaysia's CERAH MADANI pilot project to develop solar-based Community Energy Storage Systems with local nanobattery technology and AI energy management at two pilot locations. - RM2.1m for 14 portable Court Recording and Transcription units for courts in Sabah and Sarawak. - RM6m for two seawater desalination systems on Tabawan and Bohayen islands, benefiting approximately 200 security personnel and residents. - RM10m to upgrade seven LKIM slipway facilities, benefiting fishermen operating more than 12,800 boats. - Up to RM20.0bn in housing-financing guarantees for 80,000 first-home buyers, particularly those without fixed incomes, including RM5.0bn for Sabah and Sarawak; financing for agricultural communities with a minimum monthly income of RM1,000, including RM50m under Agrobank's Dana Kediaman Mampu Milik-i; RM100m under BSN's Skim Pembiayaan Perumahan Gig SJKP MADANI; and RM1.0bn in Rent-to-Own housing financing guarantees. - Provide full stamp duty exemption on loan agreements and transfer instruments executed by rescue contractors/developers and original purchasers of abandoned housing projects, 1 Jan 2027–31 Dec 2030; target zero abandoned projects by 2030. - Provide 50% rental reduction throughout 2027 for over 10,000 small traders in DBKL premises, including markets, food courts and hawker centres; festive-bazaar rates as low as RM400. - Skim Jaminan Kredit Perumahan (SJKP) – Housing Financing Guarantees:		

FOUNDATION 3: SAFEGUARDING THE WELFARE OF ALL RAKYAT

Initiative	Key measures and initiatives
8. Bumiputera and Islamic Economy	• Continue PETRONAS development of the first 10 acres of Malay Reserve Land in Bandar Malaysia, including the restoration of Sungai Besi RMAF quarters for affordable housing. • RM1.0bn-valued, 50-acre strategic land endowment in the Klang Valley for Yayasan Pelaburan Bumiputra (YPB), strengthening Bumiputera ownership and generating future benefits; PNB development to consider affordable housing and Bumiputera interests. • Develop nearly 11 acres of Government land at Belfield, Kuala Lumpur for at least 2,500 Rumah MADANI units, 70% for Bumiputera. • RM7.6bn in Government procurement reserved for G1–G4 Bumiputera contractors, compared with RM4.0bn previously. • Up to RM200,000 direct-appointment and RM3m quotation procurement thresholds for maintenance, repairs and improvements to Government facilities. • Up to RM1.0bn in TERAJU financing; strengthen monitoring of Bumiputera projects across departments, agencies and companies. • RM500m PUNB financing fund, up from RM350m. • RM10 stamp duty on Skim CAKNA II loan/financing agreements, 1 Jan 2027–31 Dec 2030; extend the same treatment for Skim CAKNA I to 31 Dec 2030. • RM45.0bn GLC/PETRONAS procurement target from Bumiputera companies under the Bumiputera Vendor Development Programme; revise GLC procurement guidelines from 2027 and assess vendor growth, innovation and new-market entry. • RM1.3bn in investments through Ekuinas and PHB to support Bumiputera companies towards public listing and strengthen strategic property ownership. • RM250m Dana Ciptawan by Khazanah/TERAJU for Bumiputera mid-tier company growth; relationship to the RM2.0bn aggregate not separately quantified. • RM1.5bn investment in a centralised solar park under Government Green Energy (GGE) to supply government buildings, with estimated electricity bill savings of up to RM1.3bn over 25 years; implement LSS6 with 2,500MW of solar capacity and 1,250MW of energy storage, including an additional 150MW reserved for Bumiputera companies. • RM40m to continue Program 10 Juara Bumiputera, developing 15 potential companies by 2027. • RM10m to provide matching grants of up to RM5,000 for MSMEs obtaining halal certification for the first time and assistance grants of up to RM25,000 under Program Pemerkasaan dan Intervensi Usahawan Halal PMKS for compliance, facility upgrades, machinery, equipment, training and technical advisory services. • Up to RM5,000 matching grant for MSMEs seeking first-time halal certification; RM25,000 grant for halal MSMEs in fields including cosmetics and pharmaceuticals. • Enable KWSP Simpanan Syariah members to pay zakat directly from dividends; described as an existing facility. • Continue the Social Impact Matching Grant for GLIC and GLC foundations, including PPR community programmes and home-based childcare services. • Provide 40% income tax exemption for Syariah-compliant fund-management service providers, YA2028–YA2030. • Allow Sukuk Prisma issuers tax deductions for Securities Commission-approved issuance costs, YA2027–YA2030. • Exempt grants under Skim Sukuk SRI dan Geran Bon from income tax from 1 Jan 2027.
9. Welfare for Targeted Groups	• RM2m to introduce RUU Warga Emas to strengthen prevention of neglect, welfare reporting and enforcement, supported by National Care Standards and specialised caregiver training. • RM2m to install 24-hour off-grid solar systems at 40 Orang Asli homes in Pos Gob and Pos Lenjang, reducing dependence on generators. • RM42m for TVET IHSAN to provide skills training, reskilling and upskilling to more than 8,000 jobseekers for the elderly care economy; develop two NICE integrated-care centres in Penang and Sarawak for training, research and care. • RM1.3bn Bantuan Warga Emas for nearly 200,000 recipients. • Offer i-Emas monthly withdrawals for KWSP members reaching ages 55 and 60, while remaining balances continue earning dividends. • RM1.5bn total OKU assistance for over 300,000 beneficiaries. • RM600 per month care assistance for bedridden OKU and chronic patients, up from RM500. • RM2,000 income-eligibility threshold for Elaun Pekerja Orang Kurang Upaya, up from RM1,700.

Initiative	Key measures and initiatives
9. Welfare for Targeted Groups (cont.)	• RM315.3m to increase Elaun Murid Berkeperluan Pendidikan Khas from RM150 to RM200 per month, benefiting 160,036 pupils with special educational needs, including autistic children. • RM4m to expand Tunas Istimewa@KEMAS through 132 new classes, upgrading 151 existing classes with sensory and support equipment, and training 302 community educators for early autism intervention in rural areas. • RM74.3m to increase Bayaran Insentif Pengajaran Murid Berkeperluan Pendidikan Khas from RM250 to RM300 per month, benefiting approximately 20,600 special-education teachers. • RM37m to expand Program Kasih MADANI to 50 areas across nine states, strengthening childcare services and training up to 6,000 caregivers, including support from GLIC/GLC matching grants. • Build Pusat Permata Kurnia in Melaka/Pahang; open over 130 rural Tabika Tunas Istimewa classes for autistic children from low-income families. • RM2.5m to upgrade 15 PDK premises, one in each state, into specialised Down syndrome therapy centres with sensory stimulation, speech therapy and specialised equipment; RM5m to train 3,000 OKU caregivers nationwide. • RM445.7m for JAKOA, including solar installations in Orang Asli settlements, replanting at Pos Poi, Sungai Siput, Perak, and Orang Asli preschool construction in Kampung Angkek and Pos Belatim, Gua Musang, Kelantan. • RM15m to construct Pusat Intelpek Pelajar Orang Asli (PIPOA) Northern Zone in Perak, providing boarding, learning and ICT facilities for 100 academically promising and at-risk Orang Asli students from Perak and Kedah. • Expand Dasar Peluang Kedua Prihatin through fast-track discharge for primary caregivers of OKU, chronically ill patients and older persons, gig and informal workers, and social intervention cases; allow automatic discharge as early as three years after filing the Statement of Affairs under the applicable insolvency provisions. • RM150,000 bankruptcy threshold from 2027, increased from RM100,000. • RM2.5m for YAKEB 360° to support 1,800 former athletes through healthcare, business rehabilitation, training, career transition and mentorship. • RM10m to progressively upgrade more than 1,600 classrooms for autistic students with special educational needs, including sensory and motor support equipment. • RM3m to strengthen caregiving advocacy and advance RUU Profesion Kerja Sosial and RUU Warga Emas to improve protection for vulnerable groups and recognise professional social work. • RM4m to expand Program KasihniTa to 7,000 single mothers through psychosocial and legal interventions, including legal assistance and programme monitoring. • RM5m to continue Program Ehsan Perwira, using undeveloped MINDEF land for agricultural and agrofood projects involving Armed Forces veterans. • RM6.5m to expand Pusat Perkhidmatan Pendidikan Khas (3PK) in Miri, Sarawak, supporting 1,189 students with special educational needs and school communities in northern Sarawak. • RM20m to continue Skim Insurans Kesejahteraan Rakyat (SIKR) 5.0, covering 150,000 poor and hardcore-poor household heads registered under eKasih against death and permanent disability. • RM19.8m to upgrade and rehabilitate 72 water treatment systems in Orang Asli settlements, providing 24-hour treated-water supply to 38,800 residents. • RM11m to expand MARA-PERHEBAT across five strategic clusters, providing training, certification, job placement and entrepreneurship support to more than 5,600 Armed Forces retirees and veterans. • Strengthen post-service career transitions for Armed Forces personnel through WBL 2.0 and professional certification by MIAT and ALAM. • Continue double tax deductions for employers hiring Armed Forces veterans on salary and recertification costs. • RM686m in GLIC/GLC contributions for 2027, comprising RM606m for community programmes and RM80m in zakat wakalah for poverty alleviation, education, healthcare and local economic empowerment. • Reduce senior-care service tax from 8% to 6% from 1 Jan 2027; provide full exemption for care fees up to RM96,000 annually.

FOUNDATION 4: ELEVATING THE QUALITY OF SERVICES FOR THE RAKYAT

Initiative	Key measures and initiatives
10. Healthcare Services Agility	• RM47.7bn for MOH, up from RM46.5bn. • RM865.8m to appoint 9,000 contract medical officers to permanent positions in 2027; subsequently offer permanent medical-officer appointments to doctors successfully completing housemanship. • RM56.9m to increase Bayaran Insentif Pos-Basik from RM100 to RM200 per month for more than 47,386 MOH nurses and paramedics. • RM0.4m to increase Bayaran Insentif Perkhidmatan Kesihatan Udara from RM30 to RM100 per flight for healthcare personnel serving remote areas. • RM200m to expand ProtectHealth Corporation's HSOP programme to private healthcare facilities and teaching hospitals, including newborn screening, prenatal genetic testing, sleep studies and rehabilitation; expand public-sector use of private facilities/operating theatres and specialist sessional arrangements. • Implement PERSADA to connect public healthcare systems through Electronic Medical Records (EMR) across 150 hospitals and 2,488 health clinics, including telehealth and pilot drone-based medicine delivery; with the RM1.0bn investment by MCMC. • RM20m for MediAsas, an affordable basic medical insurance and takaful plan launching nationwide in January 2027, with hospital payments based on Diagnosis Related Groups (DRG); allow EPF members below 55 to pay premiums through Akaun Sejahtera. • RM40m to provide a RM200 premium subsidy per worker for SMEs subscribing to MediAsas; retain the first-year subsidy, company eligibility and employee cap where supported by the speech. • RM1.7m to continue expanding MediAsas • RM7.5m to develop the e-CKAPS portal for fully online private healthcare facility licensing from 2027, targeting up to 65% shorter processing times; introduce standardised private-hospital fee categories from 2027. Retain the one-person/one-record commitment under PERSADA/MDHCN. • RM60m Dana Tabung Bantuan Perubatan, up from RM40m. • RM7.1m to expand free thalassaemia screening to husbands and children of at-risk carrier families; RM7m to expand LPPKN's Program BuAI, including subsidised IUI treatment for approximately 2,000 couples and holistic advocacy and men's wellness services for 42,000 individuals. • Continue MySalam in 2027. • RM80m PeKa B40 for free screening, medical devices and cancer-treatment incentives for STR recipients/spouses aged 40+. • Build nine new healthcare facilities, including RM15m for the Ambulatory Care Centre (ACC) and Specialist Clinic Complex at Hospital Sultanah Aminah, Johor Bahru; retain the Kuching, Gerik and Rembau projects. • RM8m to provide basic dental services through leased premises at three pilot locations in Sabah and Sarawak, benefiting more than 149,000 residents. • RM1.2bn to maintain/refurbish public hospitals and clinics, including remaining dilapidated clinics. • RM778m to procure advanced medical equipment, including haemodialysis upgrades; RM201.1m for 400 new ambulances; RM27m to upgrade simulation centres and basic science laboratories at 18 ILKKM institutions, benefiting more than 20,000 trainees; and RM25m for RoboSurge robotic surgery technology at HPUSM, expected to benefit 10,000 patients. • RM35.8m from sugar-sweetened beverage excise duty proceeds to expand the Integrated Clinical Obesity Management Programme, including nutritional therapy, lifestyle counselling and pharmacotherapy. • RM41.1m to upgrade the school-based HPV immunisation programme from bivalent to nonavalent vaccines, protecting against nine HPV genotypes for 230,000 Year 6 female pupils. • RM100m to reconstruct and upgrade 228 dilapidated Klinik Desa, improving primary healthcare access for 1.4 million rural residents. • RM72.5m to replace and upgrade air-conditioning systems at 600 MOH clinic facilities. • RM28.6m for outsourced Diploma in Nursing sponsorship through public and private higher education institutions, training 8,000 new nurses for MOH facilities. • RM5.5m to expand the adoption and commercialisation of four identified public university healthcare innovations. • Strengthen public-private healthcare record interoperability through the Malaysian Digital Health Certification Network (MDHCN), based on the principle of one individual, one record.

Initiative	Key measures and initiatives												
11. Education for All	• RM69.0bn for MOE, up from RM66.2bn, remaining the highest ministerial allocation. • RM2.0bn for school repairs and maintenance, up from RM1.0bn, including RM900m for Sekolah Kebangsaan, RM100m for SJKC, RM50m for SJKT and RM200m for Sekolah Agama Rakyat, tahfiz institutions and registered pondok schools. • Nearly RM1.3bn to upgrade 682 dilapidated schools, particularly in Sabah/Sarawak. • Complete 3,500 additional IBS classrooms by end-2026 for rising Standard 1 intake; build schools, preschool buildings and facilities including SK Seri Chemor, Kompleks Sekolah Bandar Serenia, replacement SJKT Ladang Pamol, SJKC Bandar Mahkota Cheras and SK Bulu Silou preschool. Continue Marang matriculation-college construction. • Enhance Tabung Sumbangan Wang Awam Sekolah for school operations, facilities, equipment and pupil programmes; allow cash-donation tax deduction up to 10% of aggregate income. • RM1.0bn for Bantuan Awal Persekolahan, increasing payments from RM150 to RM200 per pupil for 5.3 million eligible pupils, distributed through schools. • RM120m to provide RM2,500 Elaun Sara Hidup to Form Six students at centralised Form Six centres, covering learning, meals, transport and internet expenses. • RM869.7m for Rancangan Makanan Tambahan, providing nutritious breakfasts to 800,000 school pupils. • RM9.7m to introduce MySTEP Pembantu Guru (MyPG) in 200 primary schools in 2027, placing two assistants in each school to support administrative duties, student affairs, examinations and school programmes; consider further phased expansion following effectiveness assessment. • RM5m to place one MySTEP Pembantu Warden Asrama (MyPWA) in each of 200 MOE boarding facilities, supporting night patrols, student welfare, safety, discipline and daily operations. • Abolish the Universities and University Colleges Act 1971 (AUKU) to strengthen academic freedom. • RM19.1bn allocation for the Ministry of Higher Education (MOHE). • RM196m for PTPTN repayment assistance in 2027:												
	<table><tr><th>Borrower category</th><th>Eligibility criteria</th><th>Repayment assistance</th></tr><tr><td>Low-income borrowers</td><td>Gross monthly income up to RM2,500</td><td>Repayment deferment</td></tr><tr><td>Borrowers earning RM2,501–RM3,000</td><td>Gross monthly income between RM2,501 and RM3,000</td><td>Minimum repayment of RM50 per month</td></tr><tr><td>Borrowers with consistent repayment records</td><td>No outstanding arrears and regular repayments according to schedule</td><td>10% repayment discount</td></tr></table>	Borrower category	Eligibility criteria	Repayment assistance	Low-income borrowers	Gross monthly income up to RM2,500	Repayment deferment	Borrowers earning RM2,501–RM3,000	Gross monthly income between RM2,501 and RM3,000	Minimum repayment of RM50 per month	Borrowers with consistent repayment records	No outstanding arrears and regular repayments according to schedule	10% repayment discount
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	• Launch Vista Kampus with RM750m investment from KWAP to develop modern student accommodation at selected universities. • RM488m to develop Universiti Malaya student residences in phases, initially accommodating 10,000 students by 2031 and subsequently expanding capacity to 30,000 students. • RM30m to expand Dapur Siswa MADANI to polytechnics, targeting 100 new facilities; continue Food Bank and MySISWA@Job on Campus and extend Dapur Siswa MADANI to eligible institutions under MOE, KBS and KESUMA. • RM30m to increase FLYsiswa digital vouchers from RM400 to RM500 for 60,000 students travelling between Peninsular Malaysia, Sabah, Sarawak and Labuan. • RM200m for maintenance, facility upgrades, asset procurement and training at registered Islamic educational institutions, including religious schools, tahfiz institutions and KAFA classes. • RM802.3m for comprehensive maintenance and upgrading of public universities, polytechnics and community colleges, including buildings, utilities, sports facilities, hostels, laboratories, medical equipment and teaching resources. • RM20m to add 1,000 bachelor's degree places at public universities in 2027 for STPM and equivalent graduates, focusing on fields including accounting, banking, artificial intelligence and data science.												

Initiative	Key measures and initiatives
11. Education for All (cont.)	• RM2.8m in BUDI MARA educational assistance for 2,500 MRSB students from B40 and hardcore-poor households, covering fees, school supplies and boarding necessities. • RM4.9m to implement PISA for Schools in 200 MOE secondary schools, providing OECD-benchmarked diagnostic reports to identify learning gaps and guide targeted teaching interventions. • RM0.8m for Program Khas Pendidikan Manusiawi (ProKhas) in Kampung Long Jaik, Belaga, providing education to 78 Penan children who have never attended school through IBS classrooms, teaching support and transition pathways into mainstream education. • RM50m to upgrade selected district-level school sports fields, including running tracks and drainage systems. • RM50m to construct covered open-air multipurpose halls in phases at MOE schools and institutions. • RM10m to continue Celik MADANI for an additional 200,000 university students, with an initial RM50 investment per student in ASB or ASM. • RM526.3m in sponsorship by GLICs, GLCs and PETRONAS to expand access to quality higher education, benefiting approximately 13,720 students.
12. Transport and Road Safety	• RM230m to continue the My50 pass at RM50 per month, providing unlimited travel for 30 days across the Rapid KL rail and bus network, benefiting 300,000 users. • RM4m to continue MyRailLife, providing free annual unlimited passes for 360,000 eligible schoolchildren, persons with disabilities and children below six on KTM Komuter and Shuttle Timuran services, including expansion to the Southern Sector. Introduce MyKomuter50 at RM50 per month for eligible Malaysian citizens, providing unlimited KTM Komuter travel for 40,000 users, with projected average savings of up to RM160 monthly. • RM3.4bn Prasarana investment in rail rehabilitation and procurement of 42 new ETS and KTM Komuter train sets; require immediate remedial action by Prasarana and KTMB. • Strengthen ECRL connectivity through Phase 1 operations between Kota Bharu and Terminal Bersepadu Gombak, targeted for December 2026; extend the alignment to Rantau Panjang as agreed with China, construct a bus station at ECRL Kota Bharu station and develop supporting projects along the alignment. • RM270m to enhance stage-bus services in major cities, including RM6.9m for first- and last-mile stage-bus connections to 15 ECRL stations in Kelantan, Terengganu and Pahang, comprising eight stations under BAS.MY and seven under Dana Bantuan Sementara Bas Henti-Henti. The relationship between the RM270m and RM6.9m allocations is not confirmed. • RM1.1bn jointly provided by the Government and MAHB, including a RM100m matching grant for roads and infrastructure serving 10 major ports; upgrades to Long Banga and Ba'Kelalan STOLports; capacity expansion at Penang, Kota Kinabalu, Tawau, Miri and Sandakan airports; and KLIA modernisation and baggage-handling system improvements. • Amend Akta Pengangkutan Jalan to require compensation to victims by drivers under alcohol/drug influence. • Mandate commercial-vehicle telematics to monitor speed, location and risky driving, including alcohol-detector integration; voluntary implementation through 2027 while an enforcement driver database is developed. • RM2.8m for health-screening vouchers of up to RM30 per commercial-vehicle driver through PERKESO. • RM40m for District Engineers to expedite small repairs such as potholes. • RM2.5bn for Federal road maintenance, including RM775m to expand participation by G1–G4 Bumiputera contractors. • RM5.7bn MARRIS funding for state-road repairs. • RM55m for the Highway User Safety, Welfare and Comfort Programme, including 15 motorcycle shelters, 70 CCTV installations, 50 EV charging points and upgrades to six rest and recreation areas and five lay-bys. • RM35m for Federal road safety improvements, including blackspot treatments, hazardous junction upgrades, overtaking lanes, street lighting and intelligent traffic management systems. • RM154m for the Ageing Infrastructure Programme to repair and maintain Federal roads, ageing bridges, connecting roads, corrugated metal pipes, road furniture and street lighting. • RM30m to resolve legacy land issues along Federal roads through audits, detailed lot surveys and right-of-way reservations. • RM10m to continue matching grants for replacing vehicles older than 20 years, benefiting 5,000 owners in collaboration with Proton and Perodua.

Initiative	Key measures and initiatives
12. Transport and Road Safety (cont.)	• RM30m to expand Phase 2 construction of 1,000 bus stops to Pahang, Negeri Sembilan and Sarawak. • RM50m to develop the National Rail Centre of Excellence in Batu Gajah to strengthen domestic rail talent, technology and industry development. • RM2m to introduce MyMobiliti Prihatin, subsidising on-demand, door-to-door paratransit fares by up to RM50 per trip for wheelchair users, senior citizens and vulnerable groups.
13. Service Delivery Agility	• RM25m for Pasukan STAR to accelerate government transactions with citizens and businesses by reducing bureaucracy and compliance costs. • Reintroduce the Variation of Price (VOP) clause to accommodate increases in diesel and bitumen costs. • Increase procurement thresholds for maintenance, repair and improvement works at government facilities to RM200,000 through direct appointment and RM3m through quotations, accelerating implementation at the ministry level. • Up to RM5m project value eligible for quotation procurement where JKR pre-approved plans exist, including quarters, schools, hostels, clinics and halls. • RM30m to conduct the Household Income, Expenditure and Basic Amenities Survey (HIES&BA) 2027, covering 60,000 households, and enhance the National Multidimensional Poverty Index (NMPI) with new indicators covering education, health, living standards and financial security. • RM2m to implement the National Ageing Blueprint (NAB) 2045 through the National Ageing Conference, strategic studies on elderly care costs and programmes to strengthen intergenerational harmony. • RM10m for mobile and modular TVET training targeting vulnerable and underserved communities using existing facilities, including NADI, PPK JKM and mobile libraries, without constructing new infrastructure. • RM10m for health screening and mobile clinic services by 10 university teaching hospitals, targeting vulnerable, B40 and rural communities while supporting clinical training and research. • RM5m for the Overseas Voter Registration Outreach Programme through Malaysian diplomatic missions, providing official information and facilitating voter registration for Malaysian diaspora communities and students abroad. • RM2.7m to strengthen INTAN–higher education institution collaboration through applied research, authoritative publications and upgrades to the INTAN Management Journal to support evidence-based public policymaking. • Continue Program Iltizam Kecekapan Perkhidmatan Kerajaan across Federal, state and PBT departments/agencies, especially frontline counters.

FOUNDATION 5: SAFEGUARDING SUPPLIES AND PREPAREDNESS

Initiative	Key measures and initiatives
14. Energy Transition	• RM15.0bn TNB investment to strengthen the national grid. • RM1.0bn UEM LESTRA investment, including KLIA energy storage and a 1GW Johor hybrid-power project. • RM1.0bn Dana Iklim KWAP for green projects, including renewable energy and decarbonisation. • RM60.0m for NUR MADANI rebate up to RM200 for energy-efficient air conditioners/refrigerators. • Enhance/extend green tax incentives to 31 Dec 2030: up to 100% Investment Tax Allowance for green/sustainable technology projects and EV charging stations, and for green assets purchased for own use. • RM100.0m allocated for the implementation of the National Energy Transition Facility (NETF) fund as a catalyst for blended financing to mitigate risk and attract private capital to high-impact energy transition projects. • RM33.4m to support the upgrading of biodiesel blending facilities at the KVDT and Chevron Pulau Indah to facilitate the comprehensive implementation of biodiesel in Peninsular Malaysia. • RM6.8m to study the on the Carbon Capture, Utilisation, and Storage (CCUS) industry framework, covering regulation, technical operations, implementation mechanisms, as well as capacity building and public awareness.
15. Agricommodity Security	• Continue Projek Tanaman Padi Lima Musim Dalam Dua Tahun in MADA, including irrigation modernisation across 15 paddy blocks; target Pedu Dam rehabilitation completion by end-2027. • RM300m for Federal–state agrifood collaboration, including Batang Ai red-tilapia production and Mersing dairy development; target the latter at 50% of Johor milk production by 2030. • RM2.62bn assistance for paddy farmers, approximately RM4,300 per hectare, including seed, fertiliser, pesticide, ploughing and paddy-price subsidies. • RM246m for RM100 per hectare per season paddy-harvesting incentive, up from RM50; retain RM300 ploughing incentive and extend to Sabah/Sarawak paddy farmers. • RM20m foliar fertiliser supply for over 10,000 hectares of paddy land. • RM30m (RM208.5m in Touchpoint) to increase Lesen Sampan Khas holders from 17,000 to 20,000 fishermen. • Provide aquaculture grants, including tilapia biofloc systems; RM40m Agrobank aquaculture financing. • RM178m for fishermen, including catch incentives and living allowance up to RM300 per month; retain eligible fishermen's diesel price at RM1.65 per litre. • Over RM1.0bn agricultural financing through Agrobank, Bank Rakyat and SKM, including technological adoption. • Over RM40m for modern-technology high-value products, including bean-to-bar chocolate, essential oils and gaharu aromatherapy. • RM100m for farm-road repairs, doubled from RM50m, for repairing up to 600km across Peninsular Malaysia, Sabah, and Sarawak.. • RM100m hybrid oil-palm replanting financing for 4,500 smallholders, repayable at half the financing amount. • RM200m soft replanting financing for areas up to 40 hectares; defer repayment four years, with smallholders paying 2% interest and Government absorbing the balance. • RM3.30 per kilogramme Insentif Pengeluaran Getah, up from RM3.00, for over 300,000 smallholders. • RM400 per month subsidy assistance currently received by 290,000 smallholders as at September 2026, including farmers, livestock breeders and oil-palm/rubber/cocoa/pepper/kenaf smallholders. • RM30m to control crop disease/pests, including Ganoderma, bagworms and mealybugs in oil palm, and cocoa/pepper diseases. • RM2.4bn provisioned across FELDA, FELCRA, and RISDA, of which RM1.26bn for FELDA financial strengthening, roads and next-generation housing. • RM2.0m to expand the scope of the Program Bengkel Inovasi GLC (BIG) matching fund to the oil palm plantation sector to implement the Estate Digital Transformation Programme. • RM1.9m as part of the implementation of the Malaysia Blue Economy Blueprint encompasses the modernisation of Aquaculture Industrial Zones, Green Shipping Corridors, a marine biotechnology hub, and the exploration of Ocean Thermal Energy Conversion (OTEC). • RM5.0m for the implementation of the Farm Link 360° pilot project involves providing a Precision Farming package as well as smart agricultural technology training for farmers.

Initiative	Key measures and initiatives
15. Agricommodity Security (cont.)	• RM10.0m to develop two floating markets by LKIM, serving as marketing hubs for fishery products, downstream goods, and seafood, as well as integrates commercial spaces and fishing community. • RM2.3m for the implementation of the Program BioPerikanan to enhance the capacity of the local industry to meet the standards of importing countries with a target of at least 100 farms being certified for export. • RM9.4m for the implementation of the Program Intervensi Agroteknologi Komuniti Agromakanan for the agrifood community by MARDI that covers community gardens, community 'Ayam Saga' rearing, and the modernisation of agrifood entrepreneurs—aimed at increasing food production and community income. • RM0.5m for the development of the Hab Tuna Laut Dalam in Labuan through the provision of modern fishing equipment and the strengthening of cold chain and refrigeration facilities to enhance catch quality and fishermen's income. • RM0.4m to strengthen Labuan's food security through a more resilient buffer storage hub that is prepared for crises. • RM300.0m for the continuation of the Program Pemerkasaan Agromakanan Negara (PPAN) is being continued in collaboration with State Governments to enhance productivity, strengthen the value chain and market access, and ensure food security.
16. Security and defence	• RM22.0bn for KDN and RM22.1bn for MINDEF. • RM7.1bn for purchase/maintenance of armed-forces, police and KDN uniformed-body assets. • RM513.9m to build APMM state headquarters at Tanjung Kupang; Kompleks Batalion 19 PGA Cheras; Keningau Immigration Office; and police stations in Sungai Rambai, Tanjung Malim and Batu Lintang, Sri Aman. • RM490.4m for Agensi Kawalan dan Perlindungan Sempadan. • Require drug/alcohol tests for pilots and flight crews; install 48 body/baggage scanners at KLIA, Penang and Kota Kinabalu airports. • RM5.0m to develop an NSRC AI application to check suspicious telephone numbers, bank accounts and links before transactions, with real-time scam alerts and quick reporting for early intervention. • RM5.0m to strengthen PDRM D11's MICAC analytics with AI against child sexual exploitation. • RM58.7m to intensify SKMM Kempen Internet Selamat to reach all levels of society, including 400,000 students in 10,000 schools against cyberbullying and child exploitation. • RM2.6bn for 153 Flood Mitigation Plan (RTB) projects. Continue 82 RTB projects under implementation; launch new 2027 projects including RTB Bandaraya Kuching, PLSB Sungai Golok Phase 2 and PLSB Sungai Kemaman. • Nearly RM320m to repair/upgrade PBT slopes, ditches and drains nationwide. • RM260m for NADMA. • RM10,000 disaster-victim home-repair aid, up from RM5,000. • RM30.0m to procure 17 amphibiacraft rescue boats for APM. • RM20m GLIC/GLC-foundation matching grant for GDRN disaster relief. • RM3.4m to strengthen JPDP and prepare the legal framework for a phased transition to a Data Commission, to reinforce personal data protection and business compliance. • RM10.6m for an integrated landslide early-warning and risk-monitoring system at 50 high-risk slope sites around Kuala Lumpur. • RM2.3m to continue Inisiatif MEKAR: 20 mobile registration services for 5,000 recipients, mainly interior communities in Sabah and Sarawak, to manage identity documents without visiting JPN offices. • RM3.0m to develop and integrate five high-impact AI applications in KDN to speed up investigations, document checks, analytics and service delivery. • RM1.7m for JPN's Intel Performance Programme: 158 Mobile Terminal Units (MTU) for real-time identity and record checks and faster detection of document forgery and irregularities in the field. • RM0.9m for APMM's Maritime Domain Awareness AI (MDAI) system, combining AIS and radar data with AI to detect vessel anomalies and AIS spoofing and issue real-time alerts. • RM5.0m for the Community Fire Programme: Fire Points, early firefighting training, home fire safety, water rescue and first aid for communities.

Initiative	Key measures and initiatives
16. Security and defence (cont.)	• RM2.0m to upgrade the 30 most active Pusat Aktiviti Kanak-Kanak (PAKK) into community-based Child Service Hubs, strengthening child development, protection and psychosocial support. • RM1.2m for defence R&D through STRIDE, focused on Human Performance and Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE), to improve threat detection and response and national defence readiness. • RM15.0m to continue the Helmet Exchange Programme (old helmets swapped for SIRIM-compliant helmet) to improve motorcyclist safety. • RM1.5m to upgrade the Family High Courts in Kuala Lumpur and Shah Alam with more conducive witness and children's rooms, and to place contract Psychology Officers (Grade S12) to give psychological support to those involved. • RM3.0m for 17 solar-powered 4G CCTV units linked to a monitoring centre at Taman Saujana Hijau, Putrajaya, for real-time monitoring and visitor safety. • RM1.9m to set up a Hybrid Command Centre (HCC) in Kuala Lumpur integrating digital data, GIS and field operations to monitor land, green areas and public assets in real time and speed up action on encroachment and land-use violations. • RM2.0m for solar street lights through ESSCOM at strategic ESS Zone locations to improve community safety in Eastern Sabah. • RM55.0m for DBKL quick-win minor paving works and drain/ditch repairs in all 11 Kuala Lumpur Parliamentary constituencies. • RM1.5m for strategic engagement and maritime expertise-sharing with academia, experts, students and international partners to raise public understanding and communicate Malaysia's position on maritime interests. • RM2.0m for a Malaysia Governance Index (MGI) pilot by DBKL with SPRM, to assess how citizen complaints are resolved and strengthen transparency in flood-mitigation management, contract awards and business licensing.

FOUNDATION 6: SURPASSING THE LIMITS OF ECONOMIC POTENTIAL

Initiative	Key measures and initiatives
17. Empowering Home-grown Innovation	• Reduce MSME income tax rates by 1 percentage point: 14% on first RM150,000 taxable income and 16% on RM150,000–RM600,000; savings up to RM6,000 benefit for 300,000 MSMEs. • RM3,000 per small-value asset capital-allowance threshold; RM30,000 total claim cap for companies other than MSMEs. • Allow manufacturers to reclaim sales tax on machinery, spare parts and equipment bought from local traders/distributors, and on raw materials for pharmaceuticals, animal feed, fertilisers and pesticides. • Extend Accelerated Capital Allowance for local plant/machinery and ICT equipment/software expenditure to 31 Dec 2030. • RM10 stamp duty on agreement to use surplus credit executed 1 Jan 2027–31 Dec 2030, linked to bank credit for mid-tier companies supporting MSME cash flow. • RM10 stamp duty on P2P-platform loan agreements, 1 Jan 2027–31 Dec 2030. • Exempt opening of savings/current accounts from stamp duty from 1 Jan 2027. • RM200m Geran Sejahtera MADANI, up to RM5,000 each, for equipment/training for 40,000 recipients, particularly women. • RM6.6bn total microfinance in 2027. ◦ RM3.0bn AIM funds available for 360,000 entrepreneurs. ◦ RM1.3bn TEKUN financing, focusing on Bumiputera entrepreneurs. ◦ RM150m TEKUN/AIM financing for Indian micro-entrepreneurs. ◦ RM1.7bn BSN microfinance, with dedicated provision for youth, gig workers, hawkers and vulnerable groups. • Offer basic credit card through banks including Alliance Bank, Maybank and CIMB, with interest not exceeding 14% annually. • Additional RM5.0bn BNM financing for SMEs affected by West Asian conflict, on top of up to RM5.0bn made available previously. • RM7.0bn BPMB Group provision across seven strategic sectors, including renewable energy, logistics, aerospace and semiconductor. • Up to RM32.0bn SJPP/CGC financing guarantees; extend SJPP to mid-tier companies in all sectors and increase guarantee limit to RM50m. • RM1.0bn SJPP guarantees dedicated to domestic-company expansion through M&A. • RM57.0bn total loan facilities and financing guarantees in 2027, up from RM50.0bn. • RM60.5m MATRADE allocation for company capability and export-market diversification through the Export Strengthening and Market Diversification Fund, to widen participation of Malaysian companies, especially SMEs including Bumiputera, in international markets via: ◦ Malaysia Go Global (MGG) Fund to promote Made by Malaysia products and services; ◦ Market Development Fund (MDG) to help local businesses bear international marketing costs and penetrate foreign markets; ◦ eBizlink to help local SMEs enter international markets through digital and hybrid marketing platforms. • RM1.0bn BPMB financing for domestic MSME exports. • RM142m to strengthen NADI (1,099 National Information Dissemination Centres) as digital skills, AI and entrepreneurship hubs through five NADI Smart Services pillars, including AI@NADI and 1 NADI, 1 Prompt Engineer for young entrepreneurs' online businesses. • RM50m Dana UNIVC established by Government/KWAP to commercialise university research; Government prepared to assume early-stage risks. • RM10m JOM MALAYSIA for rural products/high-value services on digital platforms and overseas markets. • RM50m by CAAM to develop Low-Altitude Economy (LAE) Framework and prepare digital airspace management, national testing grounds and safety standards, including for drones. • Review law/enforcement against unfair foreign e-commerce competition and unsafe goods; table RUU E-Dagang at the next parliamentary meeting to strengthen platform/merchant accountability, regulate online platforms and sellers, protect local MSMEs from unfair competition and ensure consumer safety.

Initiative	Key measures and initiatives
17. Empowering Home-grown Innovation (cont.)	• RM1.5m for Inisiatif Lestari Keusahawanan Malaysia (ILMU): coaching for entrepreneurs and aspiring entrepreneurs on entrepreneurship basics, digitalisation and AI, plus preparation for financing, certification and market access. • RM2.0m for Hari Penjaja dan Peniaga Kecil 2027 (HPPK2027) to empower hawkers and small traders through business formalisation, financing matching and business digitalisation to drive the local economy. • RM225.5m from the balance of earlier research funds to continue fundamental research and accelerate high-potential research towards innovation and commercialisation.
18. Investment in High-value Sectors	• RM25.0bn GEAR-UP domestic investment by GLICs. • RM1.25bn New Economy Venture Fund by Sime Darby Property, KWSP and LTAT for Elmina data centres/logistics assets. • RM1.2bn Khazanah/KWAP semiconductor investment, including Khazanah–Selangor collaboration on a semiconductor fund. • RM450m investment by Jelawang Capital Khazanah and Dana Perintis KWAP for startups. • RM2.1bn combined Dana NIMP, Dana Pemacu KWAP and Dana MTC Khazanah for mid-tier capability in E&E, digital, aerospace and medical devices. • RM270m support through ECF/P2P platforms for SMEs, mid-tier companies and social enterprises. • Extend income tax exemptions for individual ECF investors and angel investors financing early-stage technology startups to 31 Dec 2030. • RM41m Cradle Fund for Startup Ecosystem Roadmap and prototype/commercialisation grants; provide SemiconStart MTDC follow-on equity investment in startups such as IC design/advanced packaging. • Enhance GSH incentives from 1 Jan 2027: 5% tax on new companies' GSH income; 5% on existing Principal Hub/GSH companies' income above a prescribed base; renewable five-year periods up to 30 years. • Exempt GSH treasury/fund-management activities from withholding tax on interest and stamp duty on intercompany loan agreements; extend these facilities to such activities under JS-SEZ. • Extend eligible existing DE Rantau Nomad Pass holders reaching the two-year limit by a further two years, subject to criteria. • Permit spouses with Dependant Passes of Employment Pass Category I expatriates to work from 1 Jan 2027, subject to conditions. • Introduce MyABE status for ASEAN expansion; SC/TalentCorp to facilitate initial Employment Pass application processing for listed MyABE companies, targeting five working days. • Review Reinvestment Allowance eligibility/delivery for better targeting. • RM10.0m to facilitate Malaysia–Hong Kong dual listings through regulatory cooperation; provide matching grants towards listing costs. • Extend full income tax exemption for Malaysian shipping companies to YA2036. • RM2,000 fixed stamp duty on loans up to RM100m, or RM5,000 on loans above RM100m, for purchasing/building Malaysian vessels. • RM1.0bn Dana Iklim+ (part of RM2.0bn Climate Fund for 2026–2030) for renewable energy, decarbonisation, sustainable infrastructure and climate adaptation. • RM250m Dana Ciptawan (Khazanah), a new RM200m Impact Fund with RM50m from TERAJU to support high-potential Bumiputera mid-tier companies alongside other Malaysian mid-tier firms (2026–2033). • RM50m University VC Fund (UniVC) via blended finance by the Government and KWAP for university spin-offs, incubated ventures, and student/academic-founded startups. • Extend Social Exchange Grant to December 2028 to subsidise 50% of platform operator fees, reducing fundraising costs for non-profit organisations. • RM10m FORGE pilot for catalytic equity co-investment with the private sector to support local companies transitioning into creators and owners of competitive original technology. • RM20m CREST Advanced Packaging Capability Development Programme via international strategic partnerships to upskill at least five local companies and five universities, and train at least 100 local engineers through a Train-the-Trainer (TTT) approach. • RM20m capability development programme for local semiconductor companies in wafer test systems for front-end semiconductor applications, including Made-by-Malaysia solutions and co-testing with at least one MNC as off-taker. • RM5.0m to continue KL20 Action Plan through startup ecosystem gap interventions, international talent attraction and venture capital, targeting 3,000 new startups and 100,000 high-skilled jobs by 2030.

Initiative	Key measures and initiatives
19. Cross-border Economy	• Launch JS-SEZ master plan/blueprint by end-2026. • Upgrade roads from Sedenak interchange and onward port/regional connectivity supporting Nexus Sedenak. • Use Queen Bee inter-agency task force to attract JS-SEZ anchor companies. • Introduce licensed Multi-Family Office management for multiple families, including approved SFO funds. • Continue DELAPAN development ◦ Develop 122-acre NCT InnoSphere vehicle/engineering/maintenance/logistics hub. ◦ Develop multi-currency trade/financing framework with Labuan IBFC. ◦ Develop East Gate–Inland Container Depot access at Bukit Kayu Hitam with private fund. • Expedite reopening Tebedu–Entikong trade route with Indonesia; continue border-road upgrades in Sabah, Sarawak and Kalimantan. • Continue announced PETRONAS LNG Canada Phase 2 investment expansion, Pengerang Biorefinery with Enilive/Eni and Euglena for SAF/HVO/bio-naphtha, and PETRONAS/TNB ASEAN Power Grid participation.
20. Youth Talent: BAKAT MADANI	• RM200.0m BAKAT MADANI, targets 30,000 new employment opportunities in 2027, including private-sector participation, building on BAKAT MADANI's GLIC/PETRONAS/GLC network. • Allow company tax deductions for BAKAT MADANI training, 29 Jun 2026–31 Dec 2030. • RM8.0bn cross-ministerial TVET allocation. • RM3.0bn HRD Corp fund for 3 million skills-training opportunities, including continuing professional development. • RM500m PTPK financing for trainees at PTPK-registered public/private skills institutes. • RM10.0m Program SERI GIATMARA, train/place 1,000 Bumiputera youths in high-growth sectors through MARA; use GIATMARA trainees to rewire 20,000 poor households. • RM5.0m to introduce Huffaz Career & Talent Pipeline (HCTP), providing certified TVET short courses to 4,000 tahfiz students through Community Colleges. • RM14.7m to train 10,000 youths in robotics/digital technology through CIDB • RM5.0m provide to Advanced Automotive Technology pilot programme by ADTEC JTM advanced automotive career pathways. • RM150m MITRA allocation, prioritising training/job placement in industrial automation, technology and aircraft maintenance. • RM15m PRIME Talent Hub, a Certified Industry Apprentice Programme for 1,000 B40/M40 Bumiputera SPM and skills-certificate graduates, building a work-based learning ecosystem with industry-recognised certification and guaranteed career placement in high-impact sectors. • RM8.0m to implement the Work-Based Learning (WBL) 2.0 program for over 3,000 Malaysian Armed Forces (MAF) personnel of Other Ranks (LLP) to obtain qualifications up to SKM Level 4 or a Diploma, as well as certifications in the aviation and maritime sectors through MIAT and ALAM. • RM20m VETRI MADANI continuation providing industry-demand-based skills training to approximately 5,000 Indian school leavers and community graduates. • RM2.7m Penang STEM Talent Pilot empowering school students through Mathematics intervention, AI literacy, and early technical skills exposure to strengthen STEM mastery and interest in TVET. • RM2.5m Program Kompetensi Teknikal Bioperubatan (BTCP) via matching grants to reskill 250 youth and local technicians over six months with four professional biomedical certifications. • RM1.0m Program Inklusif Wanita Dalam Kepimpinan (IW) by the Department of Women's Development, delivering leadership, capacity-building, advocacy and outcome-assessment modules to 4,000 women to increase women's participation in decision-making. • RM6.8m Armada MADANI Programme providing education access and professional training to 100 SPM graduates from B40 households to work in the maritime and shipping sectors.

Initiative	Key measures and initiatives
20. Youth Talent: BAKAT MADANI (cont.)	• RM30.5m TVET MADANI Phase 2 modernising IR4.0 facilities and equipment at Vocational Colleges, prioritising welding, refrigeration/air-conditioning and automotive. • RM21.5m ASPIRE Industry Competency Certification Programme providing free professional certifications in high-growth, high-value (HGHV) sectors to 4,000 B40 final-year students and upskilling 200 public university lecturers. • RM25.6m PERKESO integrated career support, opening three Pusat Kerjaya (CEC) at UTC, training 2,000 career counsellors and deploying 100 case officers to assist NEET youth.
21. AI for Rakyat	• Develop Sovereign AI Cloud to retain Malaysian control over citizens' data and strategic information. • RM30m for Digital Rakyat initiative: ○ Provide 100,000 additional free youth AI subscriptions and expand applications to include ChatGPT. ○ Rakyat fBuilders program, which provides hands-on training, expert mentorship, and software/cloud credits to develop local technology solutions. ○ Provide free Rakyat Digital/Coursera access to over 16,000 courses and Professional Certificate programmes. • RM6.0bn cross-ministerial research, development and commercialisation allocation. • Nearly RM15m for AI Malaysia Berhad's safe/ethical AI ecosystem, towards a 200,000 skilled-AI-worker target. • RM30m MDEC fund for 4,000 MSMEs' AI adoption/automation and training/certification of 5,000 AI professionals. • Develop quantum-resilient domestic data-security technologies through NACSA/SKMM and strengthen CSCDC Berhad. • RM4.2m to host FIRA RoboWorld Cup in 2027 for robotics talent and research. • RM25.0m GovTech Malaysia empowerment through in-house government application development, reusing government platforms, APIs, components and cloud infrastructure. • RM7.5m MYSA computing infrastructure, space AI lab and Integrated GeoAI Analytics Platform for disaster management, food security and border control. • RM72.3m for SKMM and MMU collaboration establishing two AI centres to enhance skilled talent capacity and drive AI R&D: ○ Pusat Transformasi Kecerdasan Buatan (AIX). ○ Pusat Kecemerlangan Etika Teknologi Baharu(C3ET).

FOUNDATION 7: PRESERVING NATION'S IDENTITY

Initiative	Key measures and initiatives
22. Natural Heritage, Culture, Language and the Creative Arts	• RM270m Ecological Fiscal Transfer to support state conservation and community-based economic/ecotourism activities. • RM65m, including support for around 2,500 community rangers from Orang Asli, military veterans and retired police; build/maintain patrol posts. • Introduce old fishing-net buyback; urgently upgrade ageing public sewerage at Pulau Tuba, Langkawi, Redang and Tioman. • RM15m palm-oil cess funds for conservation, prioritising threatened Malayan Tiger, Borneo Elephant and Orangutan habitats. • Over RM130m for film, music and domestic creative content; include local/international film and animation production incentives and additional support for works featuring Malaysian culture/nationhood. • Fully exempt local film tickets and theatre performances in Federal Territories from entertainment duty from 2027. • RM2.0m through MyNIMATION Program by FINAS and MDEC to strengthen animation ecosystem to create 20 new IPs and commercialise Malaysian characters internationally. • Mobilise ministries, agencies and education institutions to contribute authentic, annotated Malay-language digital data to DBP for domestic AI development. • RM2.5m to develop the National Fishing Net Circular Economy Platform through the establishment of 4 regional hubs and 30 community collection centres. • RM352.7m allocation from the Sewerage Capital Contribution Fund to upgrade sewage treatment plants, develop new sewerage infrastructure and improve sanitation at places of worship and resort islands. • Develop a digital ecosystem to enable Malaysia to build its own AI technologies rooted in national identity and language. • RM10.0m to implement Kembara RIUH 2027 by MyCreative Ventures through 9 main events and 28 satellite programmes to support 10,000 creative practitioners, expand markets for local works and create 15,000 job opportunities. • RM3.7m to intensify efforts to ensure the continued survival of the elephant population. • RM46.4m to implement the Wildlife Conservation Empowerment Programme. • RM15.7m to develop an Integrated National Over-The-Top (OTT) Platform that brings free-to-air television and radio channels together on a single digital platform. • RM47.1m for the repair and upgrading of facilities, including museums, buildings and galleries, archives, rural libraries and the National Library.
23. Sports and Unity	• RM240m for preparations to host SEA Games/ASEAN Para Games 2027. • RM460m national sports development, including high-performance sport, Road to Gold, Para athletes, Deaf Sports and facility maintenance. • RM30m Geran Padanan Sukan for sports bodies, clubs and NGOs organising high-performance events. • RM27m school sports funding, up 50% from RM2 to RM3 per primary students and RM4 to RM6 for secondary students, for over 4.6 million pupils in 10,000 schools. • RM280m to provide RM100 e-wallet incentive under Program Budi Belia for youths completing prescribed volunteering hours with selected NGOs. • Organise Liga Perpaduan traditional sports/folk games, targeting up to 200,000 community participants. • RM46m to implement Kembara Negara Bangsa through community and cross-cultural programmes, the National Identity Building Plan, NGO support, the Liga Perpaduan and volunteerism. • RM78.3m allocated for RM10,000 annual grant per active registered Rukun Tetangga area, up from RM6,000. • RM1.5m to implement the MADANI Sports Icons Carnival across seven zones. • RM45.0m for the relocation and redevelopment of the National Textile Museum at PNB Perdana. • RM2.0m to build the Federal Territories Combat Training Sports Complex in Setapak. • RM4.0m for the digitalisation of unity premises through the expansion of MYGOVNET to Tabika Perpaduan, Taska Perpaduan and rural libraries.

Initiative	Key measures and initiatives
24. Visit Malaysia Year 2027	• RM935m tourism/culture allocation; extend Tahun Melawat Malaysia to 2027, including promotion/event grants, jetty/heritage-site upgrades at locations such as Danum Valley, Lembah Bujang and Taman Negara Pahang, and Festival Budaya alongside SEA Games. ◦ RM15.0m to extend the Tourism Promotion Grant (Geran Galakan Melancong, GAMELAN). ◦ RM330.0m for the maintenance and repair of tourism, cultural and heritage facilities nationwide. ◦ RM50.0m for programmes under the national cultural ecosystem. ◦ RM50.0m to provide Geran Sepadan Penerbangan Antarabangsa dan Carter for new direct routes from China, India, Central Asia and Europe; expand to cruise ships, ferries and tour buses carrying international tourists. ◦ RM5.0m to promote ecotourism in collaboration with the Sustainable Tourism Network. ◦ RM30.0m for matching grants under the Tourism Sector Matching Grant Scheme for companies, associations and industry players. ◦ RM30.0m for the Cultural Sector Support Grant (GSSK) for associations, private companies and eligible entities. ◦ RM400.0m to extend the Visit Malaysia Campaign to 2027 to sustain the momentum of Malaysia's tourism promotion, strengthen the Malaysia Truly Asia brand and broaden the benefits of the tourism sector, covering initiatives such as Muslim-Friendly Tourism, BE Malaysia Go Global PLUS, the Meet in Malaysia – 'ROOT' Campaign, and the Malaysia Tourism Business Exchange (MTBE). ◦ RM3.5m to implement the 7 Wonders of Labuan Iconic Programme. ◦ RM0.5m to organise the Kampong Bharu Arts and Heritage Festival. ◦ RM20.0m allocated to the Malaysia Healthcare Travel Council (MHTC). • RM10,000 duty-free purchase limit for Langkawi/Labuan visitors, subject to at least 48-hour stay; expand import-duty exemptions for Langkawi-manufactured products. • Expand QR payments to 15 locations, including resort islands, in 2027. • Provide event-organiser rebates up to 30% expenditure (maximum RM1.5 million for international and RM1.0 million for local) at venues with at least 10,000 spectator capacity; extend tax incentives for international incentive travel, conventions and trade exhibitions to YA2030.
25. Upholding Islamic Principles	• RM3.1bn Islamic-affairs allocation, up from RM2.6bn. • Establish Majlis Penasihat Pondok dan Turath Malaysia with international scholars and introduce Sijil Turath Malaysia. • Provide digital devices/skills training at over 300 pondok schools through JAKIM/MDEC; introduce Program Dakwah Kreatif through digital media, influencers and AI. • RM5.0m to implement dakwah and community service programmes through Majlis Sama' Hadis, Dakwah Kreatif and Anugerah Masjid Malaysia. • RM2.0m to expand the Digital Transformation Initiative for Islamic Educational Institutions (IPI) to 344 sekolah pondok. • RM0.9m for RM150 per month special incentive for 500 KAFA teachers educating special-needs pupils, including sign-language/Braille Quran teaching. • Fully fund PERKESO contributions through (Speech text: Tabung Haji; Touchpoints: JAKIM) for 40,000 imams, bilals, tok siak, noja, marbut and guru takmir. • RM52.5m for a one-off Special Financial Assistance of RM750 each to 70,000 Imams, Bilals, Siak, Guru Takmir and Guru KAFA. • RM10.0m to expand access to Syariah justice through mobile Mahkamah Syariah, OKU-friendly facilities and interpreters, and training for 500 Rakan Sulh Komuniti. • RM3.6m to implement the KAFA Perdana Pilot Programme.

FOUNDATION 8: MANAGING THE RAKYAT'S MONEY WITH INTEGRITY

Initiative	Key measures and initiatives
26. Reform without Fear	• Continue pursuing Prime Minister term limits and separation of Attorney General/Public Prosecutor roles. • Draft Government-owned Entities Bill covering Government companies/statutory bodies to strengthen public-fund/asset governance. • Reaffirm that Federal Statutory Bodies' repayments and interest from loans financed directly through Federal operating/development allocations must be reused only for approved purposes/target groups, not unrelated or operating expenditure. • Combine Government funding and corporate CSR with GLCs, including TNB/telcos, to accelerate rural electricity and internet delivery. • Disclose project contractors/contract values alongside Government Procurement Act implementation in 2027. • RM1.1bn to strengthen SPRM, PDRM, KPDM, JKDM and MyCC operational capability. • RM53.5m set for RM1,000 one-off special assistance for 38,000 taxi/hired-car drivers and 15,000 school-bus drivers nationwide; funded following special H number-plate proceeds. • Reform criminal/evidence law, strengthen public defence and protect victims, children and vulnerable groups; study for establishing Suruhanjaya Reformasi Undang-Undang Malaysia and review contract, sale-of-goods and mediation law. • RM9.6m to strengthen the capacity of the Anti-Bullying Tribunal. • RM14m for Malaysia Competition Commission (MyCC), including the establishment of a Digital Market Competition Expert and Professional Development Unit. • RM32m to expand the MyLesen B2 Programme to include school students, higher education students and B40 youth.
27. Expenditure and Revenue Estimates for 2027	• RM510bn total expenditure: RM376.8bn Federal operating expenditure; RM83bn Federal development expenditure; RM25bn GLIC investments; RM11bn public-private investments; and RM14.2bn in investments by Federal Statutory Bodies and MKD companies • Fiscal deficit to decline to 3.3% of GDP in 2027; targeting 3.0% by 2028. • Federal Government debt to decline to 64.0% in 2026, projecting 63.7% in 2027.
28. Civil Servants' Well-being	• Upgrade Property Management Division to National Property Department. • RM2.3bn to build/maintain police, doctor, military, teacher and firefighter quarters. • Over RM500m project cost for RKAT in Skudai and new quarters at Langkap/Papar immigration detention depots, benefiting nearly 900 personnel. • RM339m to increase RELA, auxiliary firefighter, police and civil-defence volunteer allowances to RM9 per hour for volunteers and RM10.80 per hour for supervisors; nearly 50,000 beneficiaries. • RM10m for up to RM50,000 one-off Ex-Gratia Waris Pukal, up from RM20,000, subject to service length and additional to monthly ex-gratia for work-accident deaths; effective 1 Jan 2026. • RM68.8m to implement one-off KUP promotions for 12,000 P&P officers awaiting promotion due to limited posts. • Increase lifetime civil-service maternity-leave entitlement from 360 to 490 days and maximum leave per birth to 98 days. • RM20m to upgrade childcare facilities in Government premises. • RM124.8m for minimum pension of RM1,350 per month, up from RM1,000, for nearly 59,000 pensioners, ATM veterans and derivative-pension recipients. • Special financial assistance of RM1,500 to 1.3 million civil servants at Premier Grade B and below, including contract appointees. • Special financial assistance of RM750 to over 1 million government retirees, including pensionable and non-pensionable veterans. • RM1.0m to expand Program APEL.Q to 1,000 teachers holding a Diploma in Education, enabling them to pursue a Bachelor of Education degree flexibly, including tuition fee assistance of up to 50% or a maximum of RM15,000. • RM38.0m to expand Bayaran Insentif Perkhidmatan Penjara of RM200 per month to over 15,800 Superintendent of Prisons, Assistant Superintendent of Prisons, and Prison Officer. • Continue the MySTEP appointment programme in a targeted manner.

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

Appendix 8: Extension of individual income tax relief for tourism expenses

- Extend individual income tax relief for tourism expenses for one year to 2027.

Appendix 19: Review of stamp duty treatment on foreign currency loan or financing agreements

- Setting maximum limit of stamp duty imposed on loan or financing agreements in foreign currency from banks in Malaysia executed from 1 January 2027, as follows:
 - RM2,000 for loan or financing up to RM100 million
 - RM5,000 for loan or financing exceeding RM100 million

THANK YOU

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