

...

# Finance Bill 2025

\*Budget 2026 Edition

December 2025

EcovisMalaysia - Global expertise, Local faces

# Finance Bill 2025: Changes You Should Know

The Finance Bill 2025, together with the Measures for the Collection, Administration and Enforcement of Tax Bill 2025 (collectively, “the Bills”), was tabled in the Dewan Rakyat on 18 November 2025. These Bills introduce a number of important changes to Malaysia’s tax framework that will affect businesses and individuals alike.

Key amendments range from various updates to income tax rules, capital gains tax measures and so on. Taken together, these changes aim to further improve on transparency, fairness and compliance within the tax system.

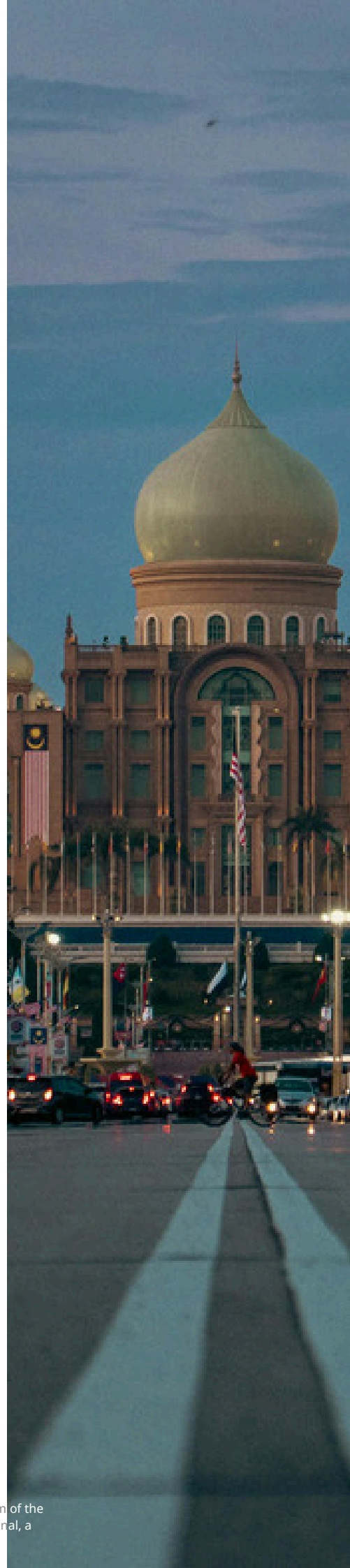
For businesses, certain provisions may affect cash flow, operational planning and investment decisions. Individuals should take note of revisions to personal tax reliefs and other obligations to ensure continued compliance under the new regime.

This booklet summarises the Bills’ main amendments and highlights the changes that matter most, explains their potential impact and offers guidance on how to adjust tax planning in 2026 and beyond in accordance to the latest legislations.

We recommend reviewing the sections relevant to your circumstances and consulting your tax advisor for personalised advice.

**The ECOVIS Malaysia Tax Team**

— Partner Ang Heng Ann, Director Chong Khar Weng,  
and Director Lim Wy-Jain



# Finance Bill 2025

## Key Takeaways - For Businesses

### Notable Changes

#### Imposition of Income Tax on Profit Distributions to Individual Partners of LLPs

Profit distributions from LLPs to individual partners - whether paid, credited, or distributed in cash or in kind - exceeding RM100,000 a year will be subject to a 2% tax on chargeable income.

*\* effective YA 2026*

#### Limitation on the Carry-Forward of Losses for Real Property Gains Tax (RPGT)

Section 7 of the Real Property Gains Tax Act 1976 (RPGTA) will be revised so that any unutilised allowable loss from the disposal of an asset may only be carried forward for up to ten (10) years of assessment. Any remaining balance not deducted under paragraph 7(4)(b) after the ten-year period will be disregarded.

*\* effective 1 January 2026*

#### Restructuring of Monthly Tax Installment payments

The monthly tax instalment scheme for the reported estimated tax payable will start in the first month of the basis period rather than the second.

*\* effective YA 2028*

#### Revision of Stamp Duty Penalties Under the Self-Assessment System

With the implementation of stamp duty self assessment system, several penalties have been reviewed and increased substantially to promote compliance among duty payers.

*\* effective 1 January 2026*

#### Penalty for late stamping

Late submission of the return and instrument to the Stamp Office under the Stamp Duty Self Assessment System (SDSAS) will be subject to a penalty

*\* effective 1 January 2026*



# Corporate Tax

## Set-off of Overpaid Taxes Against Other Taxes

The ability to transfer excess tax payments under the MITA to reduce other tax liabilities such as Petroleum (Income Tax) Act 1967, and RPGTA, will be broadened to encompass the taxes and duties under Stamp Act 1949 and the Labuan Business Activity Tax Act 1990 (LBATA) and vice versa.

**\* effective 1 January 2026**

## Expansion of Scope for Required Information and Document Submission

The requirement for the mandatory submission of information and documents, as determined by the DGIR via the Malaysian Income Tax Reporting System (MITRS), will be expanded to include partnerships. This must be submitted within 30 days following the return's submission due date.

**\* effective YA 2027**

## Authorisation For Filing of Tax Returns Electronically

Section 152A of MITA has been amended to stipulate that authorization for the electronic submission of prescribed forms by tax agents and employees shall be through an electronic medium.

**\* effective 1 January 2027**

## Appointment of Employees to Furnish Electronic Forms on behalf of Partnership

An individual mentioned in Section 86(1) of the MITA has the authority to designate an employee to complete any required form under the MITA that must be submitted electronically on behalf of the partnership.

**\* effective YA 2026**



# Capital Gain Tax

## Tax Implications of Disposal of a Capital Asset by a Nominee for Capital Gains Tax Purposes

- In situations where an individual holds a capital asset as a nominee for a company, LLP, trust body, or co-operative society, the MITA will consider both the capital asset and the nominee's actions as belonging to the respective entity.
- Any transfer of the capital asset between the nominee and the beneficial owner will be disregarded under the MITA.

**\* effective 1 January 2026**

## Expansion of the definition of disposal for Capital Gains Tax (CGT)

Section 65C of the Income Tax Act 1967 will be updated to expand the definition of "disposal" to cover the extinguishment of rights arising from a company's dissolution or winding up, as well as other share-restructuring scenarios such as share redemptions, share conversions, and the termination of asset ownership.

**\* effective 1 January 2026**

## Clarification on the date of disposal for the Capital Gain Tax

Section 65F of the MITA will be revised to clarify that the disposal date is determined by:

- The disposal date will be the earlier of the date share ownership ceases or the date consideration is received, for the following situations:
  1. Capital reduction
  2. Share conversion
  3. Share redemption
  4. Other similar transaction
- The date of disposal for extinguishment of rights due to dissolution or winding up of a company is the earliest of:
  - a. Transfer of ownership of the capital asset;
  - b. ownership of the capital asset ends; or
  - c. receipt of the whole consideration.

**\* effective 1 January 2026**



# Real Property Gains Tax (RPGT)

## Instalment payment for deemed assessment under Self-Assessment System

Proposed to allow taxpayers to settle any remaining tax payable through instalments, subject to the approval by Director General of Inland Revenue (DGIR)

**\* effective 1 January 2026**

## Responsibility of Acquirer

Section 21B of the RPGTA will be revised to introduce an additional method for acquirers to calculate the amount that must be retained and remitted to the IRBM for RPGT purposes, as follows:

- The whole amount of consideration;
- 3%, 5% or 7% of the total value of the consideration to be remitted to the Director General of the Inland Revenue (DGIR); or
- Amount of tax deemed assessed (newly introduced option);

Whichever is lower.

With this amendment to Section 13 of the RPGTA. The disposer shall inform the acquirer of the tax amount deemed assessed by submitting the prescribed RPGT return electronically. The submission notice will be treated as having been served to the acquirer on the same day the return is filed with the DGIR.

**\* effective 1 January 2026**

## Submission of amended return

Section 13A of the RPGTA will be revised to mandate that all taxpayers must submit their RPGT Amended Returns electronically.

**\* effective 1 January 2026**

## Power to issue guidelines

A new Section 43A has been introduced in the RPGTA, empowering the Director General (DG) to issue guidelines to interpret the Act, support compliance, and address any related matters. The DGIR may also revoke, revise, or amend these guidelines as necessary.

**\* effective 1 January 2026**

## Submission of application for relief

The RPGTA will be amended to require all taxpayers to submit relief applications using the prescribed forms.

**\* effective 1 January 2026**

## Failure to produce documents

Section 36 of the RPGTA will be amended to specify that failing to submit any required document, or information after a notice has been served (in relation to deemed assessment under self-assessment) will be treated as an offence and will be subject to the following:

- Penalty of not less than RM2,000; or
- Imprisonment of not more than 1 year; or
- Both

**\* effective 1 January 2026**

## Power to terminate agent

Section 51 of the RPGTA will be amended to grant the DGIR the authority to revoke the appointment of an agent.

**\* effective 1 January 2026**

# Stamp Duty

## Introduction of Definition of Residential Property

It is proposed that residential property be defined to include a house, condominium, apartment, flat, serviced apartment, or small office home office, strictly intended for use as a dwelling, as outlined in the Stamp Act 1949.

**\* effective 1 January 2026**

## Review of Wage Threshold for Stamp Duty Exemption on Employment Contracts

The wage threshold for stamp duty exemption on employment contracts will be increased from RM300 to RM3,000 per month.

**\* effective for employment contracts executed from 1 January 2026 onwards.**

## Separate Payment of Duty for Exchange of Real Property

Each transferee shall be responsible for paying duty based on the value of the real property they acquire.

**\* effective from 1 January 2026.**

## Stamp Duty Payment

Stamp duty payers who submit their return and instruments within or after the prescribed period will need to pay the duty within 30 days from the date the assessment is considered complete.

**\* effective from 1 January 2026.**

## Review of the Rate of Stamp duty on Property Ownership by Non-Citizens

The proposed stamp duty rate on transfer instruments for real properties executed by non-citizen individuals (excluding permanent residents of Malaysia) and foreign companies is set to revise from 4% to 8%.

**\* effective on instruments of transfer for residential properties executed from 1 January 2026**

## Twenty-Four Month Period for Stamp Duty Refund

It is proposed that an application for a refund of ad valorem stamp duty paid on a sale conveyance be submitted to the Collector within twenty-four months from the date of the instrument by the individual who first or solely executed the instrument, which the instrument was subsequently:

- Rescinded;
- Annulled; or
- Any other reason be not substantially performed or carried into effect

## Insufficient Stamp Duty Assessment

In accordance with the SDSAS, set to be implemented in phases beginning 1 January 2026, Section 36D of Stamp Act 1949 will undergo amendments. These changes will clarify that an assessment is not deemed final and conclusive if the Collector determines that it lack of sufficient evaluation.

**\* effective of 1 January 2026.**

## Refund for Relief of Error

In accordance with the SDSAS, it is suggested that a refund application may be submitted electronically for any overpayment of duty resulting from an error or mistake made in a return filed by the duty payer.

**\* effective from 1 January 2026.**

# Labuan

## Director General to appoint an officer to act on behalf

A new Section on 18A of LBATA will be established to state that the Director General can, in writing, authorize any officer to exercise his powers on his behalf.

## Authorisation to appoint tax agent or employee electronically

It is proposed that the authorisation to appoint a tax agent or employee to file any form is given by way of electronic medium by the Labuan entity

A tax agent is defined as an “approved tax agent under Section 153 of the MITA.”



# Finance Bill 2025

## Key Takeaways - For Individuals

### Expansion of individual income tax relief for vaccination expenses

Section 46(1)(c) of the MITA will be revised to clarify that individuals can only claim deductions for vaccinations for parents or grandparents if the vaccines are registered with the National Pharmaceutical Regulatory Agency (NPRA) under the Ministry of Health.

**\* effective YA 2026**

### Review of individual income tax for childcare or kindergarten fees

Section 46(1)(r) of the MITA will be amended to cover as follows:

- The existing income tax relief of up to RM2,000, together with the additional time-bound relief of RM1,000 previously available for fees paid to childcare centres or kindergartens for children aged up to 6 years (registered with the Department of Social Welfare or the Ministry of Education), will be combined into a single total relief of RM3,000.
- The scope of this relief will be expanded to cover daily care centres and after-school transit centres registered with the Department of Social Welfare, for children aged up to 12 years old.

**\* effective YA 2026**

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

Section 46(1)(v) of the MITA will be revised to broaden the income tax relief for expenses related to electric vehicle charging facilities and food composting machines, up to RM2,500. To include the purchase of:

1. Household food waste grinder machine and
2. Closed-Circuit Television (CCTV) for home use.

The subsidy for acquiring food waste grinders and/or CCTV systems will be permitted once in period between YAs 2026 to YA 2027

**\* effective YA 2026 to YA 2027**

### Individual income tax relief on entrance fees to tourist attractions and cultural programmes

A new Section 46(1)(sa) of the MITA will be introduced to provide income tax relief for entrance fees to tourist attractions and participation in cultural programmes, as detailed below:

- The relief of up to RM1,000 for expenses on entrance fees
- Expenses on entrance fees eligible for tax relief include the following:
  - Tourist attractions such as museums, theme parks, national parks, marine parks, zoos and geoparks; and
  - Cultural and art programmes.

**\* effective YA 2026 only**

# Key Takeaways - For Individuals (CON'T)



## Review of individual income tax relief for early intervention programme or rehabilitation treatment for children with learning disabilities

Section 46(1)(ha) of the MITA will be amended to expand the scope of income tax relief for medical treatment expenses incurred for the taxpayer, their spouse, or children, as follows:

- The current relief of up to RM6,000 for expenses related to assessment, diagnosis, early intervention programs, and rehabilitation treatment for children aged 18 and under with learning disabilities—including AHD, ADHD, global developmental delay (GDD), intellectual disability, Down syndrome, and specific learning disabilities—will be increased to RM10,000.
- The overall individual income tax relief for medical treatment expenses will remain capped at RM10,000.

**\* effective from YA 2026**

## Review of individual income tax relief for life, education, and medical insurance premiums

Proposed to expand income tax relief for life insurance premiums or takaful contributions, extending coverage from the taxpayer and spouse to include children.

The eligibility criteria for insured children to qualify for individual income tax relief on life insurance or takaful contributions, as well as education and medical insurance premiums, as outlined below:

- Children under the age of 18 who are unmarried;
- Children aged 18 and above who are unmarried and pursuing tertiary education; or
- Children with disabilities who are unmarried, with no age limit.

**\* effective from YA 2026**

# Contact Us

## Kuala Lumpur Office

Tel: 03-7986 0066

Email: [kuala-lumpur@ecovis.com.my](mailto:kuala-lumpur@ecovis.com.my)

Address: D-10-10, Level 10, EXSIM Tower,  
Millerz Square @ Old Klang Road, Megan Legasi,  
No. 357, Jalan Kelang Lama, 58000 Kuala Lumpur,  
Malaysia.

## Penang Office

Tel: 04-226 7210

Fax: 04-226 2212

Email: [penang@ecovis.com.my](mailto:penang@ecovis.com.my)

Address: 163-C-3 Wisma Seri Perak, Jalan Perak,  
10150 George Town, Pulau Pinang, Malaysia

## Sabah Office

Tel: 088-231 790

Fax: 088-266 842

Email: [sabah@ecovis.com.my](mailto:sabah@ecovis.com.my)

Address: Lot 3, 3rd Floor, Block A, Damai  
Plaza, Phase IV, Jalan Damai,  
88300 Kota Kinabalu, Sabah, Malaysia



[www.ecovis.com.my](http://www.ecovis.com.my)

**Disclaimer:** The information contained in the article is for guidance only and is not exhaustive. The information is provided gratuitously and without liability. Ecovis Malaysia shall not be liable for any loss or damage caused by the usage of or reliance on the information and guidance provided in this article and other information provided by Ecovis Malaysia and its websites. Professional advice and assistance must always be obtained before you act on any of the guidance provided. Please refer to the respective source of information, legislation and the regulatory authorities for authoritative guidance.