



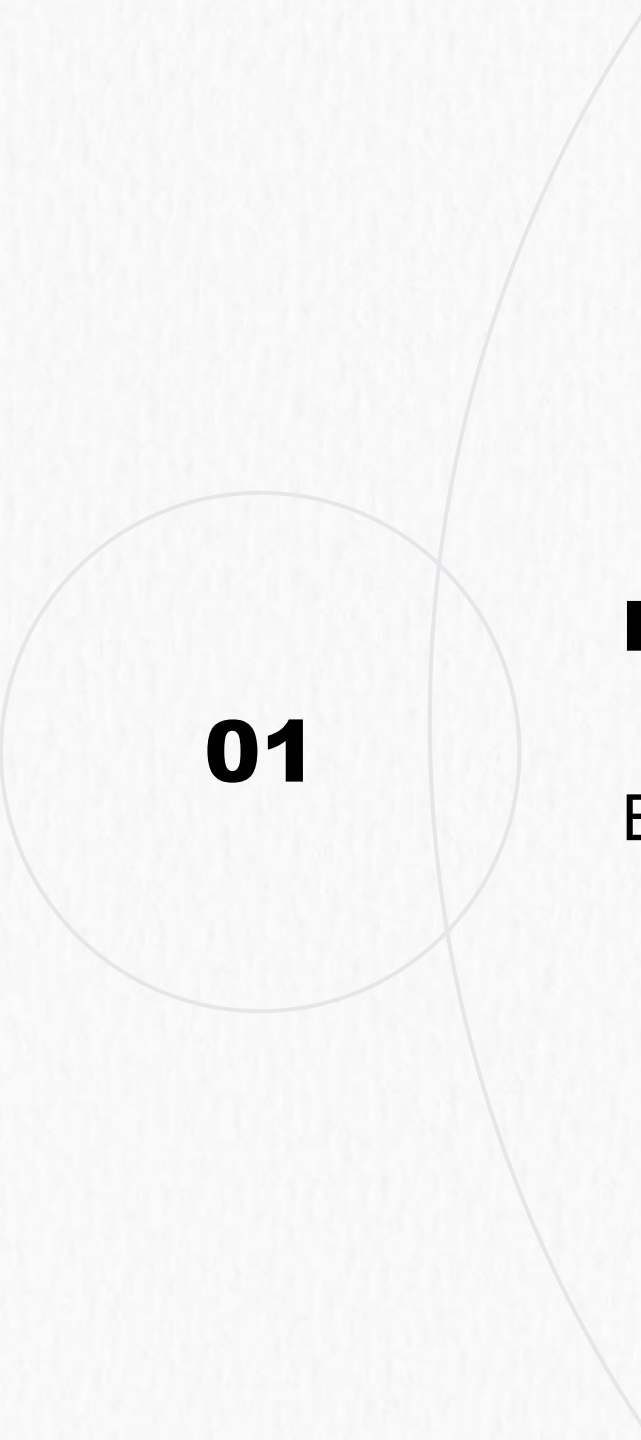
Socio-Economic
Research Centre
社会经济研究中心

2026 Interaction Session between ACCCIM and Associate Members 2.0

Malaysia's National Budget 2027

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15 October 2026



01

Budgetary Operations and Economic Outlook

Balancing between fiscal prudence and spending priorities

Key Takeaways —

1

A moderately expansionary Budget. Growth and Economic Resilience Budget. Dual priority - rakyat-centric relief and business sustainability.

2

Sustained fiscal consolidation. It demonstrates a firm commitment to reducing its budget deficit and stabilising public debt, to enhance market confidence and sustain sovereign credit ratings.

3

Growth resilience to continue into 2027, but the risks remain. Domestic demand lack of organic strength. Exports face moderated growth and headwinds, driven by the US trade policies, geopolitical tensions, weather shocks, and potential AI market corrections.

2027 Budget Perspectives

* Balancing between Fiscal Prudence and Spending Priorities

Fiscal discipline strengthens fiscal space

Efficient Budget execution sustains economic stability

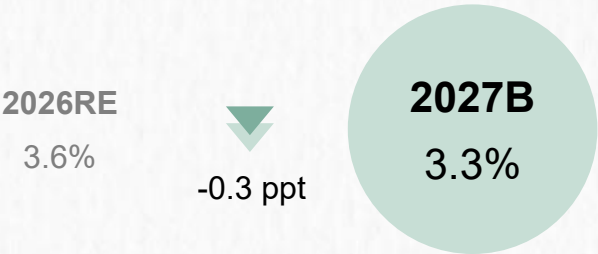
Fiscal credibility fosters market confidence and enhances sovereign credit ratings

- 1 Sustain macro resilience.** The Budget navigates steady domestic economic expansion as global uncertainty from ongoing geopolitical tensions and rising inflation pressures weighs heavily.
- 2 A high-stakes Budget balancing act** of delivering immediate economic and financial relief while heavily investing in the long-term structural strength.
- 3 Advancing medium- and long-term strategies** to strengthen structural competitiveness, accelerate digital adoption and AI transformation, and foster sustainable economic growth.

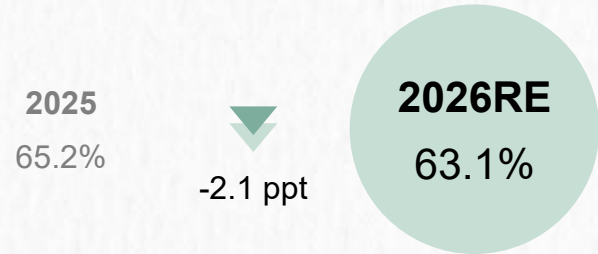
A moderately expansionary Budget amid continued fiscal consolidation

- * +3.6% in total expenditure
- * Cut taxes to stimulate economic growth and sustain domestic demand
- * Targeted incentives and allocations to drive future growth in high growth high value sectors

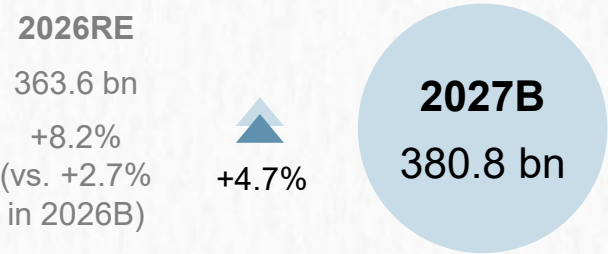
Fiscal Deficit (% of GDP)



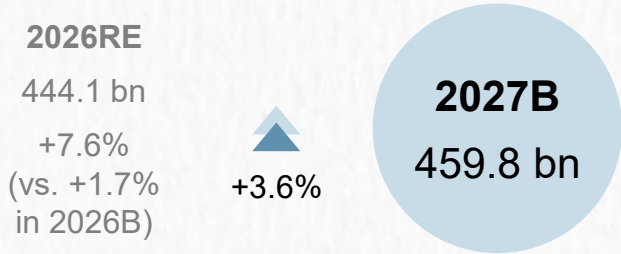
Debt-to-GDP (%)



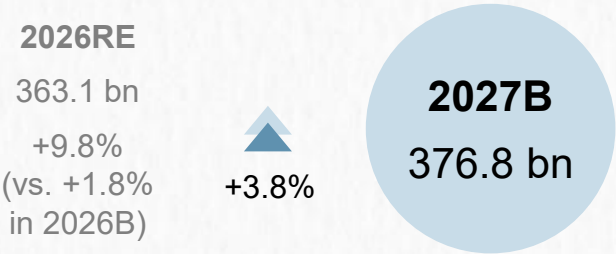
Total Revenue (RM)



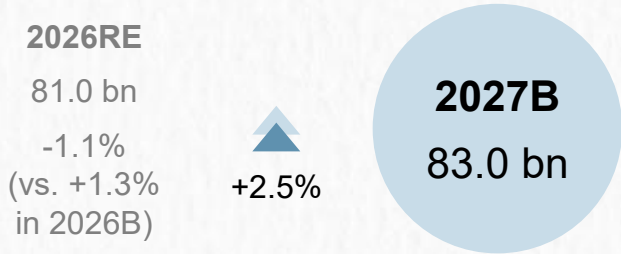
Total Expenditure (RM)



Operating Expenditure (RM)



Gross Development Expenditure (RM)

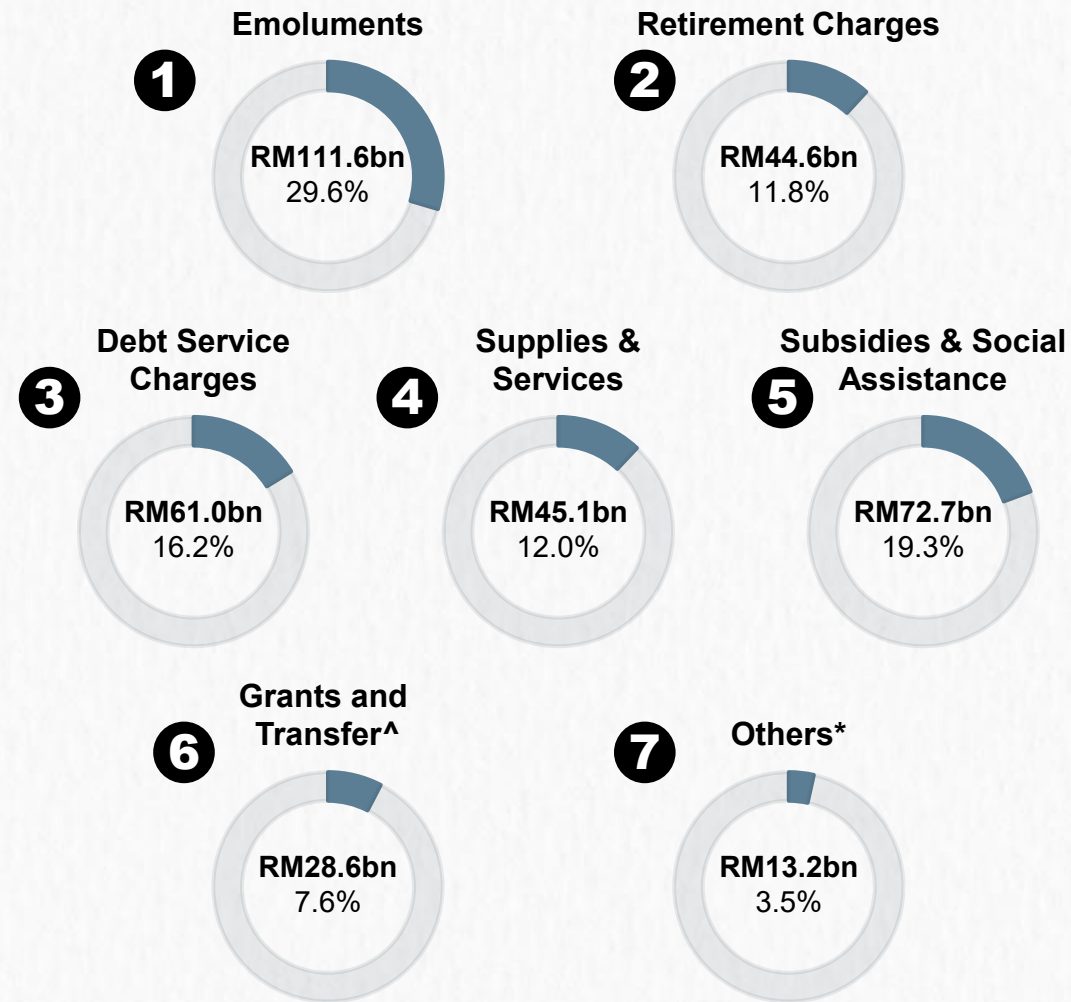


Note: RE = Revised Estimate; B = Budget Estimate
Source: Ministry of Finance (MoF)

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.



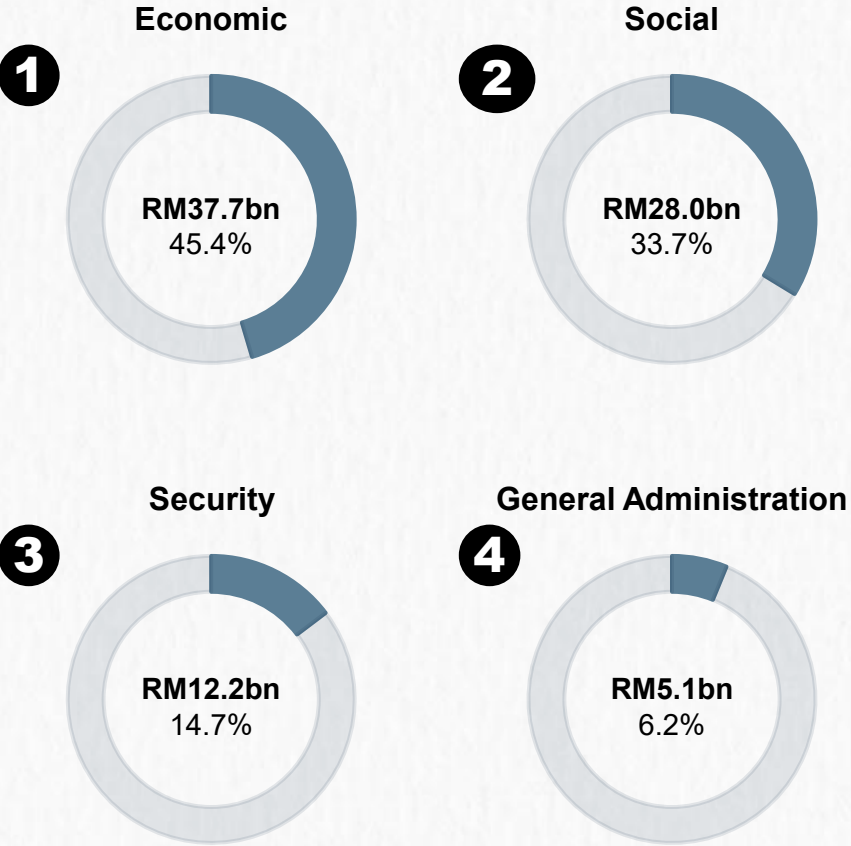
Major Components	2026RE (RM billion)	Share (%)	2027B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Emoluments	108.4	29.9	111.6	29.6	+3.2	+2.9
Retirement charges	42.8	11.8	44.6	11.8	+1.8	+4.2
Debt service charges	57.3	15.8	61.0	16.2	+3.7	+6.5
Supplies and services	41.6	11.5	45.1	12.0	+3.4	+8.2
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

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

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

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

Total public spending in the ecosystem – Show us the money

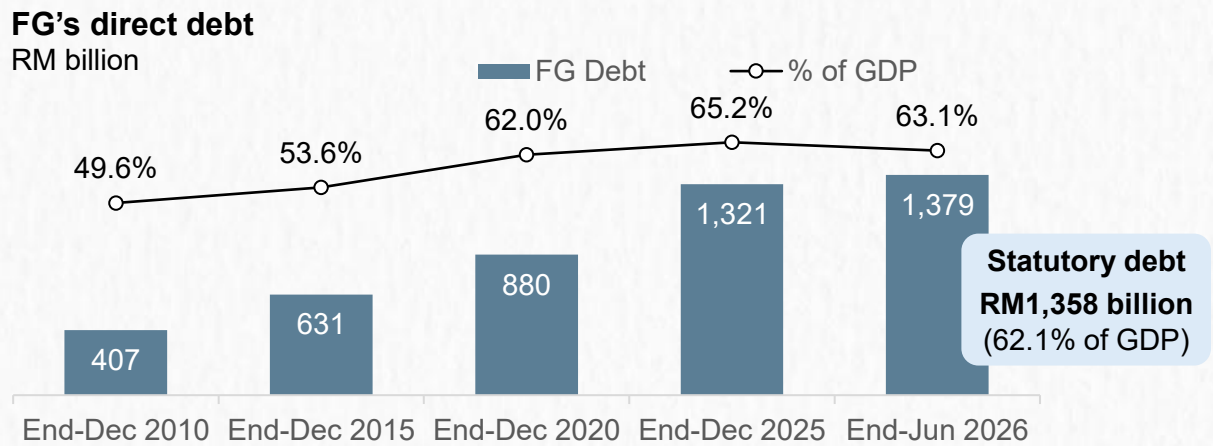
Public expenditure	2026B (RM million)	2027B (RM million)	Changes (RM million, %)
Operating expenditure	338,202	376,840	+338,638 (+11.4%)
Gross development expenditure	81,000	83,000	+2,000 (+2.5%)
GLICs investments	30,000	25,000	-5,000 (-16.7%)
Public-Private investments	10,000	11,000	1,000 (+10.0%)
Federal Statutory Bodies and MKD companies	10,800	14,200	+3,400 (+31.5%)
Total	470,002	510,040	+40,038 (+8.5%)

Public spending is expected to contribute 0.8 percentage point to GDP in 2027.

Source: MoF; BNM RE=Revised Estimate; B=Budget Estimate; n.a.=Not available

Federal Government finance	2026RE (RM million)	2027B (RM million)
Revenue	363,640	380,817
Operating expenditure	363,055	376,840
Current surplus	585	3,977
Gross development expenditure	81,000	83,000
Overall deficit	-78,515	-77,523
Net borrowings	78,575	Est 77,500

- Section 17 of the Public Finance and Fiscal Responsibility Act 2023 [Act 850] limits government borrowings to development expenditure and debt repayment.
- Hence, **operating expenditure must be financed through revenue.**



The economy

- * Running on a twin-engine growth

- 1 Err on the side of caution.** A high base effect due to exceptionally strong economic performance in 2026 makes achieving high year-on-year growth rates for 2027 mathematically harder.
- 2 The growth paradox.** The absence of broader economic gains – robust exports of E&E primarily drive the growth, growth is not broad-based across domestic sectors.
- 3 Consumer spending lacks organic strength** - the underlying growth is narrow, with a distinct absence of broad-based consumption acceleration. Private investment growth has tapered as major project expansions have passed their initial phase.

Malaysia's economic outlook 2027

Real GDP

2026RE: 4.8 - 5.3% (SERC: 5.2%)
2027F: 4.2 - 5.2% (SERC: 4.5 - 5.0%)

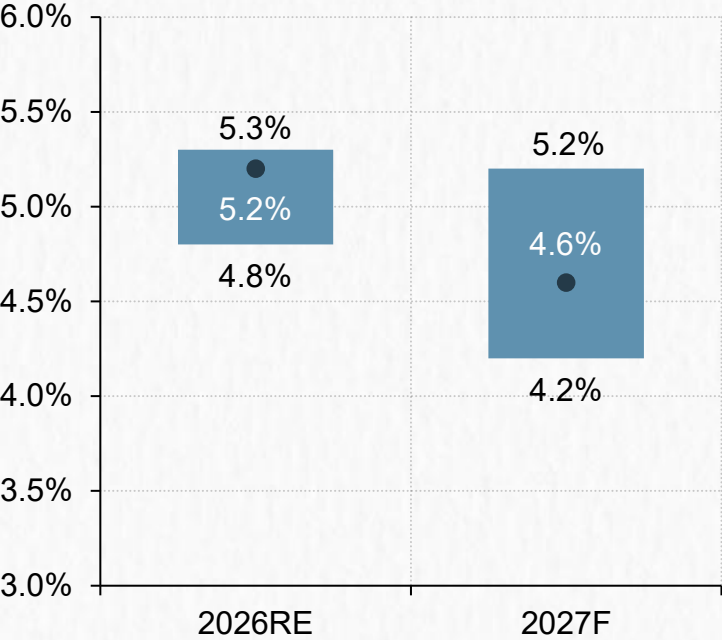
Headline Inflation

2026RE: 1.5 - 2.5% (SERC: 1.9%)
2027F: 1.8 - 2.8% (SERC: 2.0 - 2.5%)

Unemployment Rate

2026RE: 3.0%
2027F: 3.0%

Real GDP growth forecast
%



Note: RE = Revised Estimate; F = Forecast
Source: MoF

Key Growth Engines



Resilient Consumer Spending

Subsidies and cash aid, tax cuts and relief, as well as wage adjustments.



Continued Private Investment

AI infrastructure, data centres, advanced semiconductors and renewable energy.



Services & Tourism Expansion

Visit Malaysia 2026–2027, major international events and digitalisation.



E&E and High-Value Manufacturing

Global AI demand, semiconductor design and advanced packaging.

Downside Risks



Geopolitical Tensions

Geopolitical conflicts and maritime disruptions could drive up the costs of energy, shipping, and raw manufacturing inputs.



Trade Protectionism

Shifting trade policy and fragmentation could weaken external demand.



Financial Market Volatility

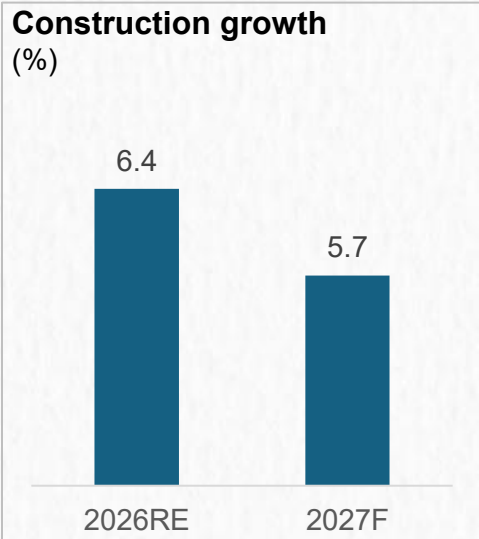
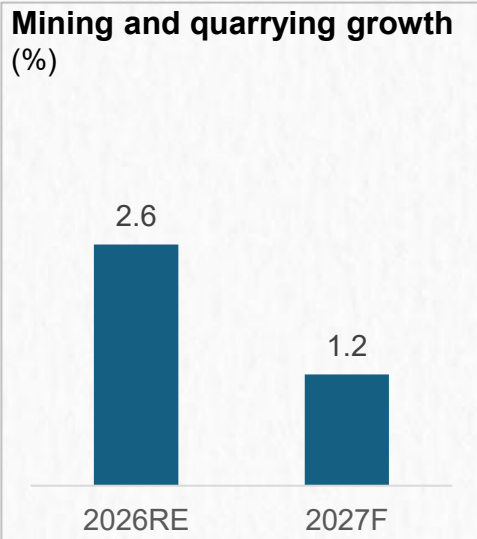
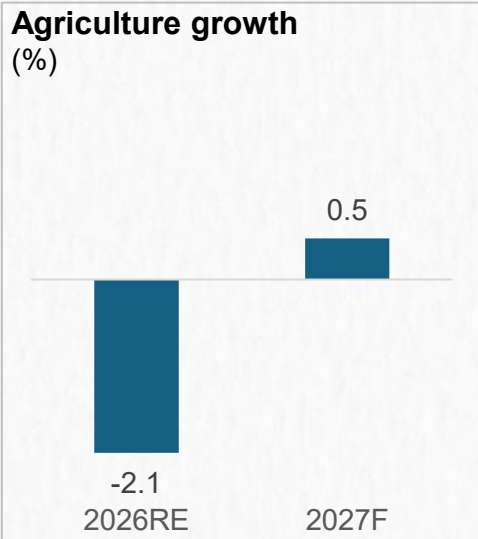
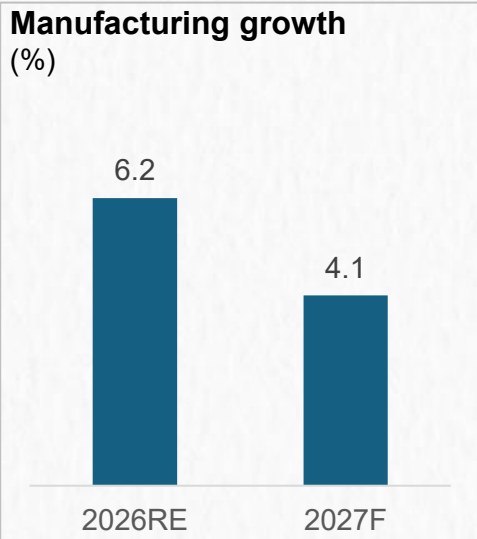
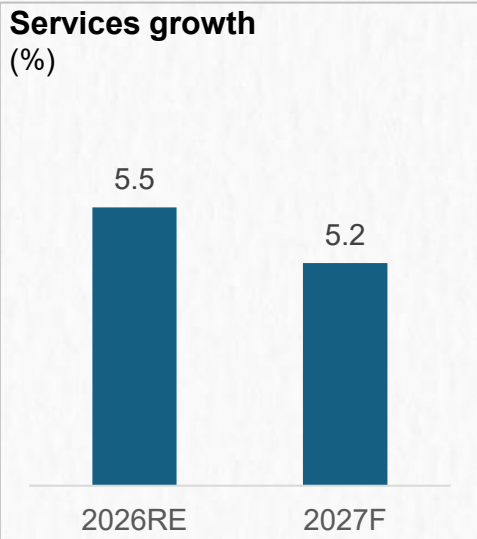
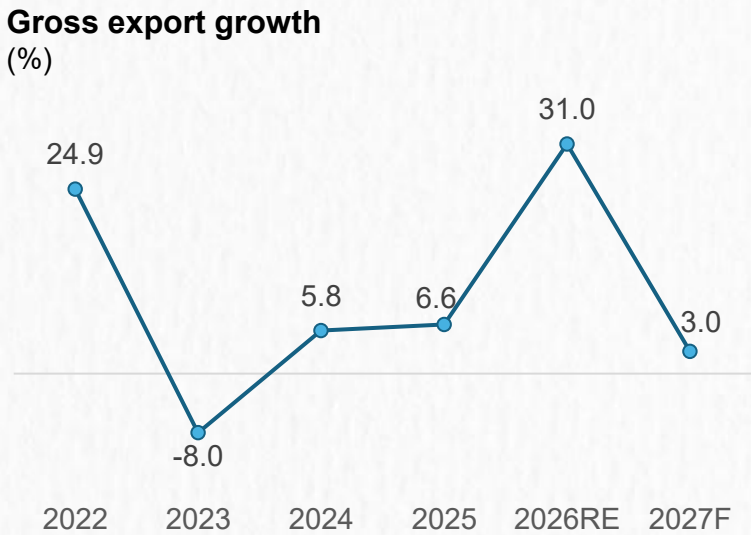
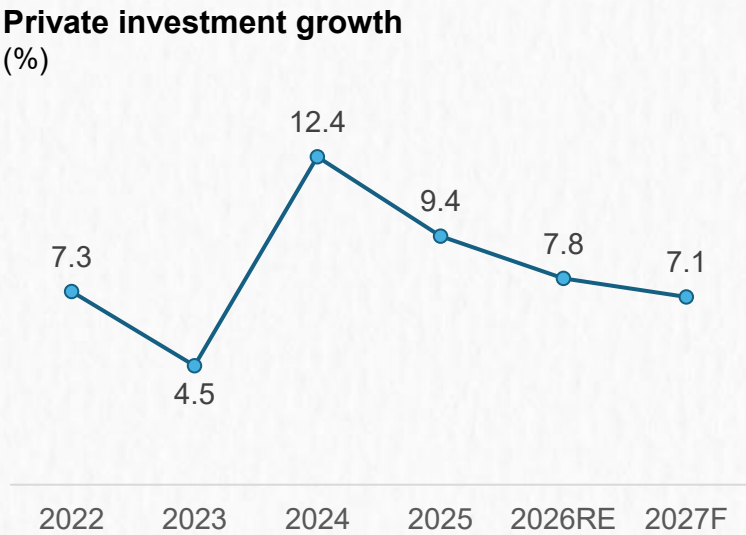
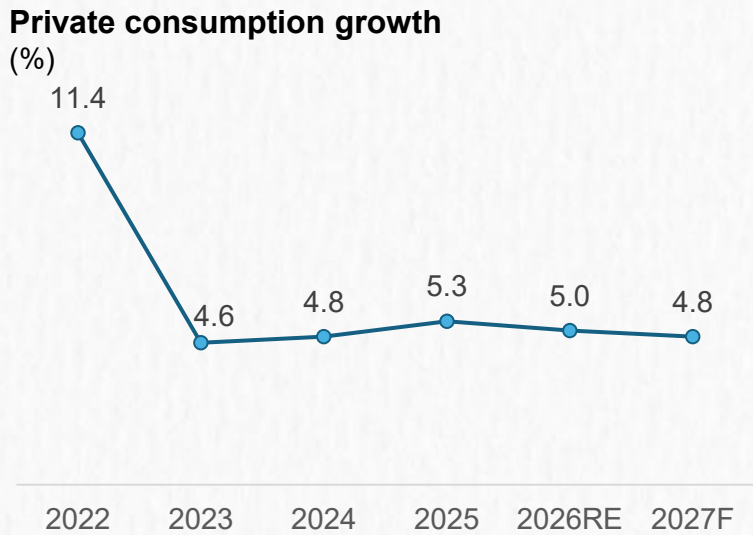
Rising global interest rate, and potential AI-related repricing could undermine investor confidence.



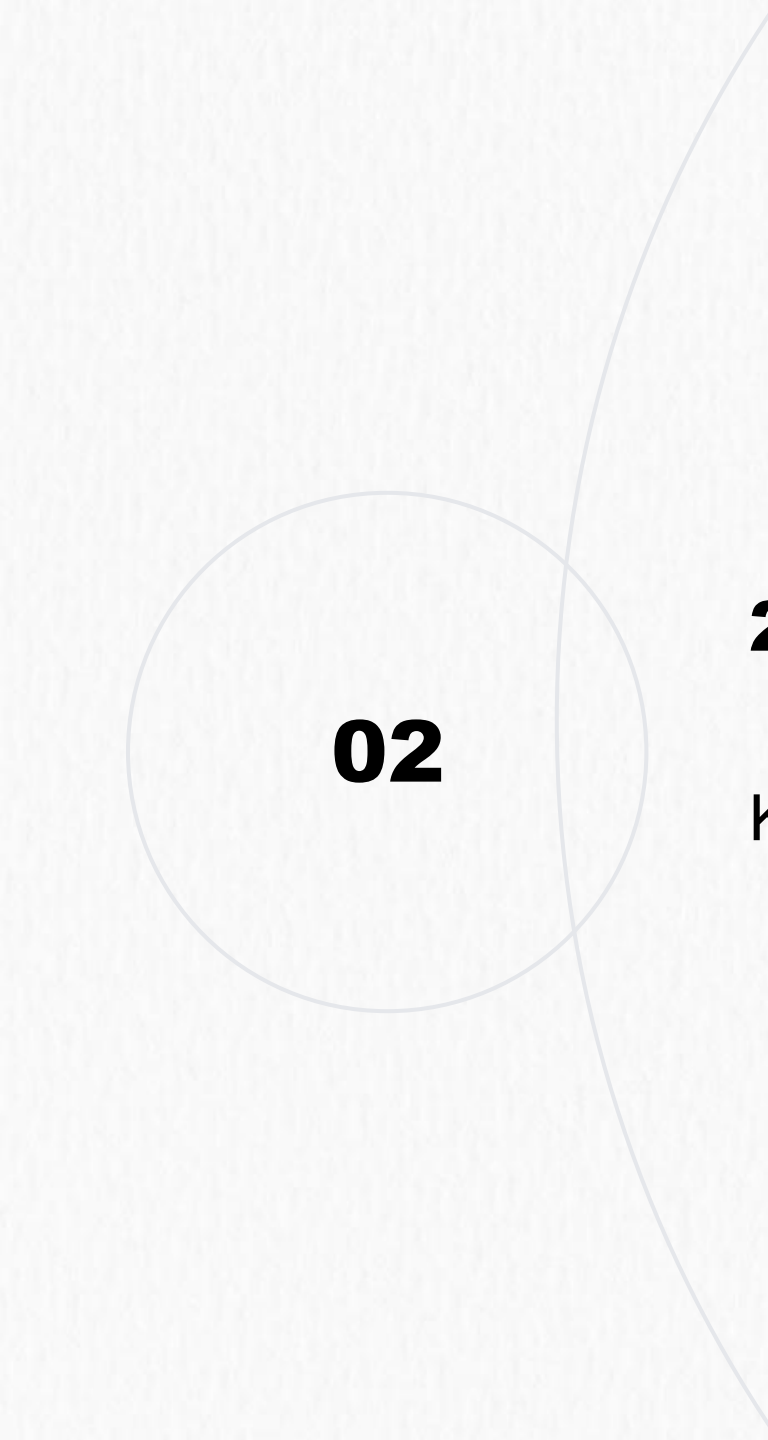
Input Inflation & Severe Weather

Persistent cost pressures and adverse weather could disrupt agricultural production and food supplies.

Key drivers of economic growth for 2027



Note: RE = Revised Estimate; F = Forecast
Source: MoF



02

2027 Budget

Key highlights for businesses and sectors

Budget 2027: What does it mean for MSMEs

TAX CUTS AND RELIEFS

- 1% corporate tax rate cuts for first RM600,000 taxable income.
- Higher threshold for 100% capital allowances on small-value assets to RM3,000.
- Extend ACA for plant, machinery, ICT equipment, & software-related capex to 2030.
- Extend Green Investment Tax Allowance (GITA) to 2030.
- 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.

EASE COMPLIANCE COSTS

- Stamp duty exemptions & remissions:
 - 100% exemption on bank account opening.
 - Stamp duty remission exceeding RM10 for:
 - Peer-to-Peer (P2P) Financing.
 - MTC Supplier Credit (Reverse Factoring) for excess credit facility.
 - CAKNA I and CAKNA II.
- Exempted from higher minimum wage of RM2,000.

STRATEGIC INVESTMENT

RM25bn GEAR-uP investments; RM2.1bn Dana NIMP, Dana Pemacu and Dana MTC; RM15bn TNB national-grid investment; RM270m ECF & P2P, etc.

FINANCING FACILITIES

- RM57bn financing facilities and loan guarantees (vs. RM50bn in 2026).
 - RM32bn financing guarantees by SJPP & CGC.
 - RM6.6bn microfinancing.
 - RM5bn BNM SME Stabilisation Relief Facility.
 - RM1bn BPMB MSME Export Financing Facility.
- Other grants included:
 - RM100m BSN MSME & Hawkers Digital Grant MADANI.
 - Market Development Grant (MDG).
 - Up to RM5,000 matching grant for first-time halal certification.

IMPACTS

Tax savings

Up to RM6,000

(benefitting 300,000 enterprises)

Encourage

Capital investment

Extension of ACA & GITA; higher capital allowance threshold for small-value assets

Improve

Liquidity

Various financing facilities, loan guarantees and grants; sales tax claim for selected goods

Risk

Labour retention

Workers may move to larger or higher-paying firms, causing labour shortages

Simple illustration of Budget's cost measures on an SME

Minimum wage ~ Personnel cost will increase by 12.9%-17.7%

Monthly personnel cost per worker - excluding OT, bonus and allowance RM	2026	2027 (if min. wage is in place)	Difference
Per worker	1,953.15	2,298.05	344.90 (+17.7%)
Wage	1,700.00	2,000.00	
Statutory contribution (13% EPF; ~1.75% PERKESO; ~0.2% EIS)	253.15	298.05	
Per worker	2,417.94	2,729.24	311.30 (+12.9%)
Wage	1,700.00	2,000.00	
Statutory contribution (2% EPF; ~1.75% PERKESO)	62.85	74.15	
Other FW-related mandatory costs	205.09	205.09	
Accommodation (with RM150 recoverable)	350.00	350.00	
Transportation cost	100.00	100.00	

Annual personnel cost (RM)	2026	2027 (if min. wage is in place)	Difference
Small enterprise 10 local workers & 5 foreign workers (2 local : 1 foreign)	379,454.40	439,520.40	60,066.00 (+15.8%)
Medium enterprise 30 local workers & 30 foreign workers (1 local : 1 foreign)	1,573,592.40	1,809,824.40	236,232.00 (+15.0%)
Large enterprise 100 local workers & 150 foreign workers (2 local : 3 foreign)	6,696,072.00	7,670,292.00	974,220.00 (+14.5%)

MSME's income tax rate cut ~ Tax savings up to RM6,000

Taxable income	YA2026		YA2027		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	

Review of capital allowance for small value assets

MSMEs can fully claim capital allowance for asset valued up to RM3,000 within the year of assessment (up from RM2,000)

Small value asset (per asset)	YA2026		YA2027	
	MSME	Large enterprise	MSME	Large enterprise
Fully claimable threshold	RM2,000	RM2,000	RM3,000 (▲)	RM3,000 (▲)
Annual claim limit	No limit	RM20,000	No limit	RM30,000 (▲)

- The framework guidelines for the deferred implementation of higher minimum wage for MSMEs.
- MSMEs may also face pressure to raise wages to remain competitive in attracting and retaining workers.

Retail businesses benefit from disposable income lifting measures

Selected measures in boosting disposable income:

	RM million
1. Additional RM1 billion in STR / SARA	1,000
2. Tax savings from higher individual relief and a 1%-point tax cut (RM70,000-RM150,000 chargeable income) *	1,947
3. Higher minimum wage of RM300, benefitting 4 million employees (excluding statutory contribution)^	13,326
4. Special incentive of RM1,500 to 1.3 million civil servants and RM750 to 1 million pensioners	2,700
Nominal consumption boost (assuming full spending)	18,973
Real consumption boost **	15,238

* Assumptions:

- Only individual tax relief and applicable EPF tax relief of up to RM4,000 are deducted for chargeable income.
- Tax savings are derived from previous top-tier tax rate x RM3,000 (additional relief) + 1% tax reduction for chargeable income between RM70,000 and RM150,000.
- A flat 25% tax rate for income above RM15,000, omitting those with chargeable income exceeding RM1 million.

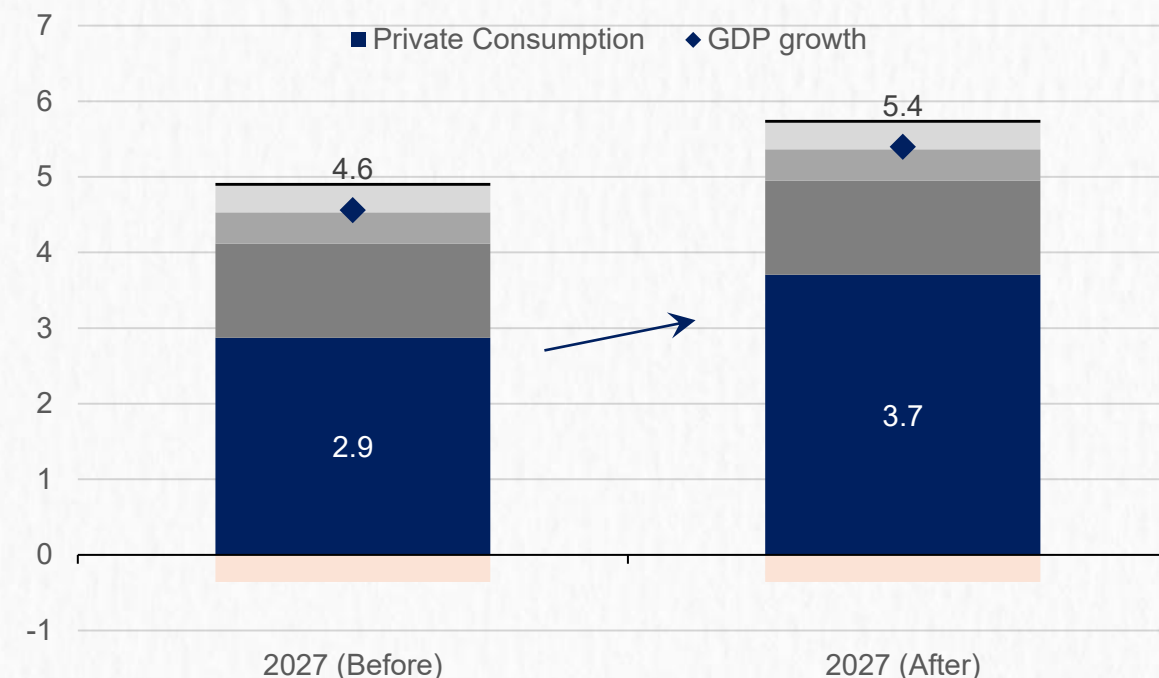
^ 1.83 million local workers; 2.17 million foreign workers; statutory contributions cover EPF, PERKESO and EIS.

** Deflated by CPI using a factor of 124.51 (2015 = 100)

If fully translated into spending, the additional consumption power could raise private consumption's contribution to GDP growth by 0.8 percentage points, lifting the mid-point GDP growth estimate for 2027 to 5.4%.

Contribution to GDP growth

Percentage-point



Source: MoF; SERC's calculation

Key highlights of ACCCIM's proposed measures adopted in the Budget 2027

✓ Lower e-invoicing registration threshold (Pre-Budget 2027)	✓ Enhance Reinvestment Allowance (RA) and Income Tax Allowance (ITA) (<i>RA is being reviewed</i>)
✓ Lower service tax rate for SMEs rental and higher registration threshold (<i>partially</i>) (Pre-Budget 2027)	✓ Extension of Accelerated Capital Allowance (ACA) on capital expenditure for plant, machinery, and ICT equipment
✓ Expand SARA coverage and broaden SARA networks (<i>partially</i>)	✓ Extension of Green Investment Tax Allowance (GITA)
✓ Lower individual tax rate for chargeable income for middle-income groups	✓ Increase eligibility threshold for first homeownership incentives
✓ Increase personal tax relief and PERKESO contribution tax relief	✓ Extension and enhancement of tax incentive for organising international incentive trips, conferences and trade exhibitions (<i>partially</i>)
✓ Increase SMEs preferential tax threshold	✓ Exempt Sales Tax on intermediary goods and on selected productivity-enhancing equipment and spare parts (<i>partially</i>)
✓ Proposed E-Commerce Bill is scheduled to be tabled in March 2027 Parliament sitting to enhance accountability across online marketplaces and protect local businesses (<i>partially</i>)	

THANK YOU

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