



GES Tax Alert Malaysia Budget 2025

Overview

On 18 October 2025, the Minister of Finance announced the 2025 National Budget. The relevant proposals announced from the perspective of an individual and an employer are highlighted below.

What is the change?

New tax for individuals

2% tax on dividend income exceeding MYR100,000

Currently, dividends are not taxable in the hands of individual shareholders under the single-tier tax system.

From 1 January 2025, where the annual dividend income exceeds MYR100,000, a 2% tax rate is proposed on chargeable dividend income (calculated based on a prescribed formula and taking into account allowances and deductions) received by individual shareholders (resident individuals, non-resident individuals, and individuals who hold shares through nominees).

Dividend income exempted from the above are those:

- from abroad;
- distributed from the profits of companies with pioneer status and reinvestment allowances;
- paid, credited or distributed from the profits of shipping companies that is exempted from tax;
- distributed by cooperatives;
- declared by closed-end funds;
- received by residents from Labuan entities; and
- any exemption given on dividend income at shareholder level.

This 2% tax rate is not applicable to profit distributions made to contributors and depositors by:

- Employee Provident Fund (EPF);
- Lembaga Tabung Angkatan Tentera (LTAT);
- Amanah Saham Nasional Bumiputera (ASNB); or
- Any unit trust.

Effective date: From year of assessment 2025

New reliefs for housing loan interest

A tax relief on housing loan interest payment expended (individually or jointly owned) is proposed as follows:

- Relief of RM7,000 – for residential property valued up to RM500,000
- Relief of RM5,000 - for residential property valued between RM500,000 to RM750,000

Such property must not be used to generate any income. Two or more individuals are eligible to claim the relief on apportionment basis.

Effective date: Up to 3 consecutive years of assessment, for sale and purchase agreements executed from 01 January 2025 until 31 December 2027

Extension of tax reliefs / tax exemption

Exemption / Relief	Description	Extension
Tax exemption on foreign-sourced income (FSI)	Currently, FSI remittances are taxable in the hands of tax residents unless the FSI is able to qualify for exemption. The exemption period applies for FSI remittances occurring from 1 January 2022 until 31 December 2026.	This tax exemption is proposed to be extended from 31 December 2026 until 31 December 2036.
Tax relief for fees paid to childcare centres and kindergartens	The individual income tax relief of up to RM3,000 in respect of fees paid to registered childcare centres and kindergartens for children enrolled up to 6 years old is given up to year of assessment 2024.	This tax relief is proposed to be extended from year of assessment 2024 until year of assessment 2027
Tax relief for net deposits made to National Education Savings Scheme (SSPN)	The individual income tax relief of up to RM8,000 for net deposits made by an individual in respect of their child in SSPN account is given up to year of assessment 2024.	This tax relief is proposed to be extended from year of assessment 2024 until year of assessment 2027

Premium paid for Private Retirement Scheme (PRS) / Deferred Annuity Scheme	The tax relief of up to RM3,000 for approved PRS / Deferred Annuity Scheme is given up to Year of Assessment 2025.	This tax relief is proposed to be extended from year of assessment 2025 until year of assessment 2030
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Expansion of scope of reliefs / tax deductions

Relief / Tax Deduction	Description
Electric Vehicle (EV) charging facilities	<p>Currently, relief is provided for costs related to electric vehicle charging facilities, including installation, rental, hire-purchase of equipment, or subscription fees up to MYR2,500.</p> <p>It is proposed that the scope of relief is expanded to include purchase of food waste composting machines for household use.</p> <p><i>Effective date: From year of assessment 2025 to 2027</i></p>
Sports equipment relief	<p>Currently, relief for purchase of sports equipment and activities (limited to RM1,000) is only in respect of self, spouse and children.</p> <p>It is proposed that the scope be expanded to include such purchases for parents.</p> <p><i>Effective date: From year of assessment 2025</i></p>
Parents' medical expenses	<p>Currently, relief for medical expenses for parents can be claimed for the following categories (up to RM8,000):</p> <ul style="list-style-type: none"> • medical treatment at clinics and hospitals; • treatment and homecare nursing, day care centres and nursing home;

- dental treatment not including cosmetic dental treatment; and
- full medical check-up limited to RM1,000.
- It is proposed that the scope for:
- Full medical check-up for parents (limited to RM1,000) be expanded to include vaccination costs.
- The same scope for parents' medical expenses is expanded to include medical expenses for grandparents, including full medical check-up and vaccination (which is limited to RM1,000)

Effective date: From year of assessment 2025

Medical expenses for self, spouse and child

Currently, the relief for medical expenses for self, spouse and child of RM10,000 encompasses the following:

- Relief for complete medical examination, i.e. full medical check-up, mental health check-up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child (limited to RM1,000)
- Assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with specified learning disabilities (limited to RM4,000)

It is proposed that:

- The scope for medical expenses for self, spouse and child be increased to include medical payments incurred by an individual under a co-payment arrangement arising from medical insurance/ takaful policy.

- The scope for a complete medical examination be expanded to include:
 - purchase of self-test kit, such as COVID-19 and influenza test kit;
 - purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer;
 - fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear;
 - The relief limit for assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with specified learning disabilities be increased to RM6,000.

Effective date: From year of assessment 2025

Contributions made to institutions, organisations or funds approved under Section 44(6) of the Income Tax Act 1967

Currently, individuals or companies are eligible for a tax deduction of up to 10% of their aggregate income for contributions made to institutions, organisations or funds approved under Section 44(6) of the Income Tax Act 1967.

It is proposed that the scope of exemption for approved institutions, organisations or funds under section 44(6) be expanded to include contributions to affected non-Malaysian citizens.

Effective date: To be determined

Increase in tax relief limit for disabled persons

Personal relief

Current

Proposal

	(MYR)	(MYR)
Disabled individual – additional relief for self	6,000	7,000
Additional relief for disabled spouse	5,000	6,000
Additional relief for unmarried disabled child	6,000	8,000

Effective date: From year of assessment 2025

Medical and education insurance premiums

Currently, the limit for medical and education insurance premiums is RM3,000 for self, spouse and child.

It is proposed that the relief limit is increased to RM4,000.

Effective date: From year of assessment 2025

Tax exemption on childcare allowance received by employees

Currently, income tax exemption of RM3,000 per year is given to childcare allowances received by employees (or where paid directly by employers to childcare centres)

It is proposed that this exemption is expanded to include elderly care for parents or grandparents.

Effective date: From year of assessment 2025

Tax exemption on cash prize awards for sports victories

It is proposed that cash prizes arising from sports victories which are won by individual athletes and teams via the Skim Hadiah Kemenangan Sukan which is provided by Majlis Sukan Negara is exempted from tax.

Effective date: To be determined

EPF contribution for non-Malaysian citizen employees

Currently, it is mandatory for Malaysian citizens and Permanent Residents who are working in the private sector and non-pensionable public sector to contribute to EPF. Contributions by non-Malaysian citizens are optional.

It is proposed that it would be mandatory for non-Malaysian citizen employees to also contribute to EPF.

We expect further guidance will be forthcoming from the relevant authorities.

Effective date: To be determined

Incentives for employers

Tax Incentive for	Description
Implementation of flexible work arrangements (FWA)	<p>It is proposed that capacity building and software acquisition incurred by employers for implementing FWA be given a further deduction of 50%.</p> <p>The expenses shall be:</p> <p>a one-off claim capped at RM500,000 (verified by Talent Corporation Malaysia Berhad).</p> <p><i>Effective date: For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027</i></p>
Provision of caregiving leave benefit	<p>It is proposed that a further deduction of 50% be given to employers who provide additional paid leave of up to 12 months for employees caring for children, or ill or disabled family members.</p> <p><i>Effective date: For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027</i></p>
Hiring women returning to work	<p>It is proposed a further deduction of 50% be given to employers in respect of employment expenses paid for a period of 12 months for hiring women returning to work.</p> <p><i>Effective date: For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027</i></p>
Hiring of people with disabilities and ex-convicts	<p>It is proposed for Malaysia's Social Security Organisation (SOCSO) to provide employers who hire people with disabilities and ex-convicts with a special incentive of RM600 per month for three months.</p> <p><i>Effective date: To be determined</i></p>

Residence Pass and Employment Pass for investors of Family Offices in the Forest City Special Financial Zone (FCSFZ)

Currently, the Immigration Department of Malaysia under the purview of Ministry of Home Affairs (MOHA) issues approval for both the Residence Pass and Employment Pass.

To attract more foreign investors to set up Family Offices in Forest City (located in Johor Bahru), the Securities Commission Malaysia has been given the leading role to approve the Residence Pass and Employment Pass to the respective investors of the Family Office involved.

We expect further guidance will be forthcoming from the relevant authorities.

Effective date: To be determined

Deloitte's view

The Budget 2025, themed Reinvigorating the Economy, Driving Reforms and Prospering the Rakyat appears to place a strong focus on its people's welfare, especially those in the lower and middle-income group. The targeted approach adopted in widening the tax base by way taxing the high net-worth individuals reflects a forward-thinking approach for wealth distribution.

Budget 2025 demonstrates that the government recognizes that its greatest asset is its people - the investment in education, training programmes and social security protection of the workforce demonstrates its intention of creating well-cared individuals who can further contribute to growth of the nation.



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