

KERATAN AKHBAR

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Budget geared to meet 13MP goals

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Budget geared to meet 13MP goals

Inclusive growth expected to be the focus

PETALING JAYA: Budget 2026 will be the first annual government spending plan to meet the goals outlined under the country's five-year development blueprint – the 13th Malaysia Plan (13MP).

Economists believe higher taxes or new ones are unlikely to be introduced under Budget 2026. Socio-Economic Research Centre executive director Lee Heng Guie said Budget 2026 will be the first national budget to support the goals of the country's latest five-year roadmap, the 13MP (2026-2030).

Lee expects Budget 2026 to focus on three pillars – resilience, sustainability and inclusivity – which will reaffirm the government's commitment to fostering economic growth, strengthening economic and financial resilience, and creating an inclusive development landscape.

"We expect the government to target a fiscal deficit between 3.3% and 3.5% of the Gross Domestic Product (GDP) for 2026, a reduction from the estimated 3.8% of the GDP in 2025, moving gradually towards the 13MP's target of less than 3.0% by the end of 2030," he said.

"Gross development expenditure is also budgeted to increase by 3.5% to RM88bil next year."

Lee said higher taxes or new tax measures on households and businesses are unlikely in Budget 2026.

He proposed that the government raise income tax relief for parents' medical expenses to

RM12,000 from the current RM8,000; increase income tax relief for life insurance to RM5,000; and education and medical insurance to RM7,000.

Lee also said the government can provide citizens above age 50 with an annual subsidy voucher of RM200 to purchase nutritional supplements, health foods or access traditional and complementary treatment related to the prevention or management of non-communicable disease.

"This allocation will amount to RM1.3bil, benefitting 6.6 million citizens aged 50 and above."

Meanwhile, to promote solar adoption and renewable energy, Lee said Budget 2026 should consider extending the Net Energy Metering programme beyond its June 30, 2025 expiry; introduce financial incentives to accelerate household battery adoption; and provide full exemptions for import duty and sales tax for key renewable energy components such as solar panels.

Senior Economic Adviser at KSI Strategic Institute for Asia Pacific (KSI) Dr Anthony Dass said Budget 2026 will be a signal of direction through fiscal discipline, structural reform and selective investment.

"Sectors aligned with digital, green, infrastructure and inclusion stand to be preferred beneficiaries," he said.

Real Gross Domestic Product (GDP) growth is expected to be in around 3.8%-4.6% on the back of resilient domestic demand, infra-

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structure outlays and high-value sectors such as digital services and advanced manufacturing. "Upside depends on a firmer semiconductor cycle and tourism recovery, while downside risks stem from softer global trade and execution slippage on reforms," he said.

Dass believes fiscal deficit could narrow to 3.4%-3.6% of the GDP in 2026, and in an optimistic scenario, it could even hit 3.3%.

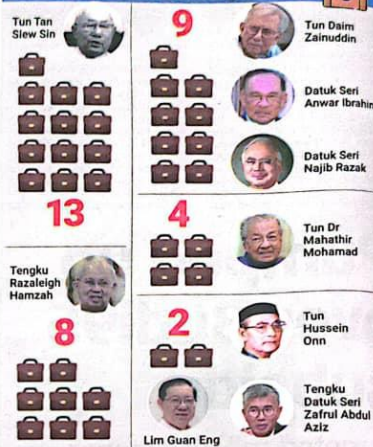
"It would be supported by better revenue capture through measures such as compliance and e-invoicing, and more targeted subsidies alongside disciplined operating outlays."

"Credibility improves if savings are transparently redeployed to development spending and slippage risks, such as pre-election pressures, lower oil revenues, are contained," he said.

On the policy front, continued subsidy rationalisation, stronger tax compliance and e-invoicing, increased tax measures and possible carbon-pricing pilots are expected, Dass said.

"The bias is toward administrative efficiency and base-broadening rather than sweeping new taxes, with carbon mechanisms

The finance ministers who have tabled the Budget



The Stargraphics

piloted to align incentives with NETR/NIMP objectives," he said.

Clear timelines and buffers for vulnerable groups will be crucial to sustain public support and minimise transition shocks to businesses, he added.

Infrastructure, digital economy and renewable energy are positioned to attract investments. These include private projects, grid upgrades, data centres and environmental, social and governance (ESG)-linked financing that crowd in private capital.

Firms must also budget for new compliance and energy-cost realities such as e-invoicing, tighter tax enforcement and potential carbon pricing, which could compress margins in the near term unless offset by productivity gains and pricing discipline.

Budget 2026 will be tabled on Oct 10.

Year in year out, the national budget has been on an expansionary trajectory, with the RM421bil for Budget 2025 being the largest ever.