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BUDGET 2026 HIGHLIGHTS

Budget 2026 marks the fourth MADANI budget and the first year under the 13th Malaysia Plan (RMK13). With a record allocation of RM470 billion; RM338.2 billion for operating expenditure and RM81 billion for development, this budget continues Malaysia's fiscal discipline, targeting a 3.5% deficit while advancing the country's industrial transformation and competitiveness agenda.

The relevant highlights of the Budget 2026 to the industry are as follows:

1. **New Outcome-Based Tax Incentive Framework**: Beginning first quarter 2026, the framework will be fully rolled out for the manufacturing sector. This initiative, aligned with the New Industrial Master Plan (NIMP), offers targeted tax incentives to encourage investment in high-growth areas.

2. **RM180 million NIMP Industrial Development Fund**: Funds allocated to accelerate development in high value sectors such as semiconductors, artificial intelligence (AI), digital and sustainability.

3. **RM200 million Strategic Co-Investment Fund (ECF/P2P**): Provides matching capital for SMEs and mid-tier companies investing in automation, smart factories and process digitalisation.

4. **RM50 billion in SME & Business Financing Facilities**: Includes RM30 billion in SJPP guarantees, RM2.5 billion in microfinancing, and RM1 billion for automation and digitalisation upgrades.

5. **AI and Cybersecurity Training Tax Deduction (50%):** Manufacturers adopting digital tools or AI-driven quality control can claim an additional 50% tax deduction on certified training expenses.

6. **RM500 million BPMB Financing under the National Semiconductor Strategy (NSS):** While aimed at electronics, it benefits plastics and component manufacturers supplying the E&E ecosystem.

7. **RM1 billion Green Technology Financing Scheme (GTFS 5.0):** Provides funding for manufacturers who want to invest in green technology. This includes implementing sustainable production methods in manufacturing facilities.

8. **Introduction of Carbon Tax (2026):** Initially targets energy-intensive sectors, but will indirectly impact plastics manufacturing through higher energy and resin-related costs. Incentivises transition to low-carbon production.

9. **RM7.9 billion for TVET Development**: Supports training for AI, EVs, semiconductors, and industrial automation, helping address the plastics industry's skilled labour shortage.

10. **RM3 billion HRD Corp Training Fund**: To offer 3 million training opportunities especially in the high-tech, digital and energy transition sectors.

11. **RM60 million Market Development Grant (MATRADE**): Supports export market diversification for manufacturers, targeting Central Asia, Africa, and Latin America region.

12. **RM2 billion Government Guarantee and RM100 million Financing for Halal-compliant companies:** Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will increase government

guarantee for halal-compliant SMEs from RM1 billion to RM 2 billion. SME Bank will offer special financing to halal-compliant MSMEs totalling RM 100 million.

Read the full text here: Budget 2026

Thank You.

MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION

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