CIRCULAR NO: 147/2026 DATE: 17 NOVEMBER 2026

TO: ALL MEMBERS

UPDATE: ADDITIONAL BUDGET 2027 MEASURES RELEVANT TO THE MANUFACTURING SECTOR

Further to MPMA's Circular No. 129/2026 dated 13 October 2026 on Incentives and Key Measures for the Manufacturing Sector under Budget 2027, MPMA has reviewed the Budget 2027 Speech, the Ministry of Finance (MOF) Tax Measures and the Budget 2027 Touchpoints.

This circular highlight additional measures relevant to plastics manufacturers and recyclers. Where certain measures were covered in the earlier circular, supplementary information is provided to clarify their scope, eligibility and implementation requirements. All measures remain subject to applicable official guidelines.

1. Green Technology Tax Incentives

1.1 Green Investment Tax Allowance (GITA) Project

The GITA Project incentive is extended for applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2027 until 31 December 2030, with a revised list of qualifying activities:

i. Tier 1 (Green Hydrogen and Ocean Thermal Energy Conversion): 100% GITA, set off against 100% or 70% of statutory income, for 5 + 5 years.

ii. Tier 2 (Electric Vehicle Charging Stations and Renewable Energy Systems covering biomass, biogas, mini hydro, geothermal and wind): 60% GITA, set off against 70% of statutory income, for 5 years.

Integrated Waste Management, which qualifies under the existing framework, is not included in the revised list of GITA Project qualifying activities. Companies undertaking potentially eligible integrated waste management projects should consult MIDA on the current framework, including the 31 December 2026 application deadline. Plastics recycling activities do not automatically qualify; members should obtain confirmation from MIDA before applying or committing to an investment.

1.2 GITA Assets (Own Consumption)

For qualifying green technology assets purchased and verified by the Malaysian Green Technology and Climate Change Corporation (MGTC) from 1 January 2027 until 31 December 2030:

i. Tier 1, at 100% GITA set off against 70% of statutory income: buses, vans, panel MPVs, movers, terminal tractors, forklifts, lorries, light trucks and heavy vehicles (including prime movers); locally produced EV infrastructure; locally produced waste composting and recycling systems; locally produced wastewater recycling and rainwater harvesting systems; and integrated renewable energy systems with battery or energy storage.

ii. Tier 2, at 60% GITA set off against 70% of statutory income: the same categories of EV infrastructure, waste composting and recycling systems, and wastewater recycling and rainwater harvesting systems without the locally produced requirement, and renewable energy systems.

Members considering recycling systems for their own operations, including production-scrap reprocessing, may wish to explore eligibility under GITA Assets. Eligibility depends on the specific equipment being on the approved qualifying asset list; it should not be assumed from the intended use alone. Applications must be made to MGTC within 24 months from the date of purchase, subject to applicable requirements.

The qualifying assets are subject to the list approved by the Finance Minister. Members should confirm the eligibility of specific equipment and vehicles with MGTC before purchase.

1.3 **Green Income Tax Exemption (GITE)**
The existing GITE for solar system leasing has an application window ending 31 December 2026 and is not listed among the revised GITE activities in the Budget 2027 proposal. This does not mean that all solar-related or renewable-energy incentives are discontinued.

2. Wages and Employment

2.1 Minimum Wage
The minimum wage will be raised from RM1,700 to RM2,000 per month from June 2027. MSMEs with annual sales below RM50 million will be exempted to allow room for adjustment.

The Government will also reform the workers' income framework, beginning with a minimum wage of RM2,500 per month for semi-skilled workers and graduates. Members are advised to assess the impact on their wage structures and await the detailed implementation order.

2.2 **Tax Deduction on Salary Payments**
From Year of Assessment (YA) 2028, companies other than MSMEs may only claim tax deduction on salary expenses paid through financial institutions or cashless payment instruments permitted under the Employment Act 1955. Tax deduction on other expenses is not affected (Appendix 14 of the MOF Tax Measures).

Members that still pay any salaries in cash, including to foreign workers, should move to bank or cashless payment before 2028.

2.3 **Training and Skills**
Members may take note of the following:

i. Companies providing qualifying Bakat MADANI training programmes may be eligible for the announced tax deduction for the stated period from 29 June 2026 until 31 December 2030, subject to the programme definition, approval and applicable tax rules.

ii. A total of RM8 billion is allocated for TVET across ministries, including RM3 billion through HRD Corp for 3 million skills training opportunities and RM500 million through Perbadanan Tabung Pembangunan Kemahiran (PTPK) to finance trainees at registered training institutes.

3. Review of Reinvestment Allowance
The Government is reviewing the Reinvestment Allowance (RA), including its eligibility criteria and mechanism, to make it more targeted and strengthen industry competitiveness.

As many manufacturers rely on the RA for expansion and modernisation, members are invited to share with the Secretariat their current use of the RA and any concerns, to support MPMA's input to MOF and MIDA.

4. Additional Financing Facilities
Financing and guarantee facilities under Budget 2027 were previously highlighted in MPMA Circular No. 129/2026 dated 13 October 2026. The following provides supplementary information on selected schemes relevant to automation, technology upgrading, sustainability and export development. These are not necessarily additional allocations beyond those previously announced. Members should refer to the earlier circular for overall allocations and confirm detailed terms with the respective institutions.

i. Bank Pembangunan Malaysia Berhad (BPMB) Technology Adoption Fund (RM500 million): for companies adopting technology, digitalisation and IR4.0; financing of up to RM10 million at the prevailing rate less 1% for the first 3 years, with tenure of up to 15 years.

ii. BPMB Green Sustainability Fund 2.0 (RM2 billion): for companies transitioning towards low-carbon and sustainable operations; prevailing rate less 1% for the first 5 years, with tenure of up to 10 years.

iii. BPMB Export Leap Scheme and Local Acceleration and Growth Programme (RM500 million each): for exporters and companies in priority value chains under the New Industrial Master Plan (NIMP) 2030; prevailing rate less 1% for the first 3 years.

iv. Malaysian Industrial Development Finance (MIDF) Smart Automation Financing Programme (RM10 million): for companies in the manufacturing and manufacturing-related services sectors; financing rate of up to 3% and up to RM5 million. MIDF's Sustainable Green Business Financing (RM20 million) offers 2% for SMEs and 5% for non-SMEs, up to RM10 million.

v. BNM SME Stabilisation Relief Facility (RM5 billion within the previously announced expanded financing support, not a separate additional RM5 billion): for eligible SMEs affected by trade and supply-chain disruptions. Financing terms, including any limit, rate and tenure, should be confirmed with BNM and participating institutions.

vi. BNM-CGC Guarantee Scheme (RM10 billion, to be read in the context of the broader guarantee support described in Circular No. 129/2026): indicative guarantee coverage of 60% to 85% for eligible MSMEs undertaking sustainability, automation and digitalisation initiatives; confirm terms with CGC.

vii. MITI NIMP 2030 Strategic Co-Investment Fund (RM200 million): for SMEs and mid-tier companies.

viii. Export Strengthening and Market Diversification Fund (reported RM60.5 million): includes export-promotion support such as the Market Development Grant. MATRADE export-promotion funding was previously highlighted in MPMA Circular No. 129/2026; members should not treat the figures as separate additional allocations without official confirmation.

The scheme amounts, rates, limits and tenures above are subject to confirmation against current official programme documents. All financing is subject to the eligibility requirements, funding availability and approval processes of the respective institutions; listed allocations should not be added together where they form part of wider announced packages.

5. Other Industry Developments

5.1 Petrochemical Supply

PETRONAS is moving to full ownership of the Pengerang Integrated Complex, which the Government positions as a strategic hub for fuel supply security, with the value chain to be optimised towards high-value products. Members dependent on local resin supply may wish to monitor developments.

5.2 Halal Certification Grants

Budget 2027 provides matching grants of up to RM5,000 for eligible MSMEs obtaining halal certification for the first time, under an announced RM10 million allocation. This may be relevant to plastics manufacturers whose own products or operations require halal certification, including qualifying packaging-related businesses. Supplying packaging to halal-certified customers does not, by itself, establish eligibility. Members should confirm the programme scope, qualifying activities and application requirements with the implementing agency before applying.

5.3 Circular Economy

RM2.5 million is allocated to develop a National Fishing Net Circular Economy Platform, with 4 regional hubs and 30 community collection centres to collect, track and recycle used fishing nets, alongside a buy-back measure for old fishing nets.

6. Recommended Action for Members

i. Members with planned integrated waste management or recycling projects should consult MIDA on whether the project qualifies under the current GITA Project framework and on the 31 December 2026 deadline; recycling projects are not automatically eligible.

ii. Members considering recycling equipment, commercial vehicles or renewable energy systems from 2027 should check the specific approved asset categories with MGTC before purchase and retain supporting records for any applicable 24-month application window.

iii. Members should review wage structures in light of the announced minimum wage measures and verify the final implementation rules, including occupational classifications and MSME treatment. Non-MSME employers should review salary-payment channels ahead of the stated YA 2028 tax-deduction requirement.

iv. Members are invited to share feedback on the Reinvestment Allowance and on any recycling investments affected by the GITA changes with the MPMA Secretariat.

v. Members should verify the applicable requirements with the Inland Revenue Board of Malaysia (LHDN), MIDA, MGTC, the Ministry of Human Resources (KESUMA) or the relevant financing institutions before making investment or financing commitments.

MPMA will continue to monitor developments and share relevant updates as further implementation guidelines become available.

Note: All measures outlined in this circular are subject to the relevant legislation, official guidelines, eligibility requirements and approval by the respective authorities.

Thank you.
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