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SECTION 2

Federal Government Revenue

Overview

Malaysia's economy remains resilient supported by solid economic fundamentals and coherent government policy which help sustain growth momentum and translate into steady tax revenue collection. Concurrently, the gradual implementation of revenue measures has structurally diversified the revenue base, with elevated oil prices providing a short-term boost to revenue collection. Notwithstanding, in navigating escalating geopolitical uncertainties and inflationary pressures which impacted domestic economy, the Government has rolled out several short-term targeted relief measures. These include relaxing e-invoicing compliance for MSMEs with an annual turnover below RM3 million, granting Sales Tax and Service Tax (SST) exemptions for electricity bills below 800kWh as well as accelerating tax refunds to relieve business' cash flow constraints. Notably, the ability to deploy these measures is attributed to comprehensive policy and revenue reforms undertaken which have built the necessary fiscal buffers to maintain adequate social protection and development spending, thus reinforcing economic resilience.

Building on this strength and competitiveness, the Government is committed to maintaining policy that further stimulates economic activities and investments. Moving forward, the Medium-Term Revenue Strategy (MTRS) will focus on optimising existing revenue streams and promoting equitable income distribution towards enhancing tax administration capacity and efficiency. This optimisation will be driven by the adoption of digitalisation and technology, further leveraging data analytics and the continuous upskilling of administrative capabilities.

In addition, by aligning these enhancements with international best practices, it will foster a fairer and more efficient tax system that effectively caters to the needs of the economy while maintaining the rigorous fiscal discipline required for long-term macro stability. Hence, the Government will continue to maintain a progressive fiscal stance that prioritises economic resilience and safeguarding the well-being of the rakyat, in line with the medium-term fiscal sustainability objectives mandated under the Public Finance and Fiscal Responsibility Act [Act 850].

Revenue in 2026

The Federal Government revenue in 2026 is projected to be 6% higher than the budget estimates reaching RM363.6 billion, and 8.2% higher than the 2025 collection, driven by better-than-expected economic performance and higher average global crude oil prices. Tax revenue continues to be the largest contributor to the overall revenue collection, constituting 77.2% or RM280.7 billion, equivalent to 12.8% of GDP. Meanwhile, the non-tax revenue is expected at RM82.9 billion, representing 22.8% of total revenue.

Direct tax is estimated to grow by 5.8% to RM191 billion, driven by higher income taxes collection, primarily comprising companies (CITA), individual and petroleum (PITA). The collection from CITA is forecast to grow by 4% to RM101.7 billion, attributed to an anticipation of steady corporate earnings particularly in the services and construction sectors. This corresponds to growth in both sectors in the first half of the year, which recorded 5.8% and 7.1%, respectively.

TABLE 2.1. *Federal Government Revenue, 2025 – 2027*

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²
Tax revenue	259,826	280,762	297,060	8.2	8.1	5.8	77.3	77.2	78.0
Direct tax	180,558	191,025	199,898	5.2	5.8	4.6	53.7	52.5	52.5
of which:									
CITA	97,816	101,688	106,614	5.4	4.0	4.8	29.1	28.0	28.0
Individual	45,570	48,829	51,837	10.9	7.2	6.2	13.5	13.4	13.6
PITA	18,063	20,528	20,528	-12.0	13.7	0.0	5.4	5.6	5.4
Indirect tax	79,268	89,737	97,162	15.7	13.2	8.3	23.6	24.7	25.5
of which:									
SST	55,874	66,999	73,341	24.8	19.9	9.5	16.6	18.4	19.2
Excise duties	12,789	11,746	11,784	-4.4	-8.2	0.3	3.8	3.2	3.1
Import duty	3,064	3,203	3,323	-0.3	4.6	3.7	0.9	0.9	0.9
Export duty	1,808	1,845	1,914	-13.5	2.0	3.7	0.6	0.5	0.5
Non-tax revenue	76,243	82,878	83,757	-9.7	8.7	1.1	22.7	22.8	22.0
of which:									
Licences and permits	15,526	15,544	17,229	-8.9	0.1	10.8	4.6	4.3	4.5
Investment income	43,982	46,108	46,656	-3.9	4.8	1.2	13.1	12.7	12.3
Total revenue	336,069	363,640	380,817	3.5	8.2	4.7	100.0	100.0	100.0
Share of GDP (%)	16.6	16.6	16.4						

¹ Revised estimate² Budget estimate, excluding Budget 2027 measures

Source: Ministry of Finance, Malaysia

The better CITA collection is also attributed to the phased implementation of e-Invoice which has resulted more than 1.8 billion e-Invoice transactions as at end-August 2026 from 413 million during the first year of implementation. This has helped reduce revenue leakages and enhance tax compliance. Similarly, individual income tax is expected to increase by 7.2% to RM48.8 billion on account of stable wage growth as well as higher number of taxpayers which grew around 10% in 2025. Meanwhile, PITA is expected to increase markedly by 13.7% to RM20.5 billion, in line with the elevated global crude oil prices estimated to average at USD85 per barrel (2025: USD68 per barrel). Likewise, collections from other direct taxes, mainly stamp duty and the real property gains tax (RPGT),

are estimated to grow to RM11.7 billion and RM2.6 billion respectively, in tandem with the sustained real estate performance, as indicated by higher approved loans for property sector.

Indirect tax is anticipated to increase further by 13.2% to RM89.7 billion, contributed by stronger collection from SST, following the full-year implementation of SST scope expansion. Service tax is expected to rise by 26.1% to RM38.2 billion, in tandem with higher service tax collection from food and beverages, digital services, insurance and takaful as well as maintenance and repairs. Similarly, sales tax collection is estimated to grow by 12.6% to RM28.8 billion, as indicated by encouraging sales performance in the wholesale and retail trade, which grew by 9.8% in the first half of

2026 (2025: 5.6%). The main contributors to sales tax collection are from motor vehicles, machines and spare parts as well as plastic products. Likewise, other indirect tax collections are estimated to maintain an upward trend, with sustained collections from export duties and windfall profit levy on oil palm fruit in anticipation of higher CPO price for the rest of the year.

Non-tax revenue is projected to grow by 8.7% to RM82.9 billion, on account of higher proceeds from government entities. Investment income is expected to grow to RM46.1 billion, attributed to dividend from PETRONAS (RM27 billion) and Khazanah (RM2 billion), as well as receipts from Bank Negara Malaysia (BNM) (RM5 billion). The Government is also expected to receive a higher contribution from Retirement Fund (Incorporated) (KWAP) at RM7 billion, in line with KWAP's favourable investment performance. This contribution will be utilised to partly finance the retirement charges in line with subsection 13(5) of Retirement Fund Act 2007 [Act 662]. Meanwhile, receipts from licences and permits are anticipated to remain stable at RM15.5 billion, with proceeds from motor vehicle licences and levy on foreign workers expected to reach RM3.3 billion and RM3.5 billion, respectively.

In consonance with revenue diversification efforts, the contribution of **petroleum-related revenue** in 2026 is estimated to decrease to 15.1% of total revenue or 2.5% of GDP, despite the higher average global crude oil price projection of USD85 per barrel. This is mainly due to lower dividend from PETRONAS at RM27 billion (2025: RM32 billion), partially cushioned by higher collections expected from PITA. Consequently, **non-petroleum revenue** is projected to grow to RM308.7 billion, bolstered by stronger tax collections, mirroring the continued positive impact of ongoing revenue reform measures.

Outlook for 2027

The Federal Government revenue is estimated to increase by 4.7% to RM380.8 billion on the assumption of resilient albeit moderating economic growth. The higher estimate is mainly contributed by tax revenue which is projected to grow by 5.8% to RM297.1 billion with a share of 78% of total revenue or 12.8% of GDP. Meanwhile, non-tax revenue is anticipated to grow marginally by 1.1% to RM83.7 billion, or 3.6% of GDP.

Direct tax is forecast to increase by 4.6% to RM199.9 billion, or 67.3% of total tax revenue, on the back of improved income tax collection. This is supported by encouraging registration of taxpayers resulting from the phased rolled-out of e-Invoice. The largest component in direct tax which is CITA constituting 53.3% of total direct tax, is expected to grow by 4.8% to RM106.6 billion. Likewise, the individual income tax is estimated to increase by 6.2% to RM51.8 billion, in anticipation of continuous wage growth and low unemployment rate. Furthermore, greater enforcement and audit on taxpayers prior to the e-Invoice implementation are able to positively contribute to the higher collection. The other direct tax component, namely stamp duty is expected to increase by 5.6% to RM12.4 billion in tandem with the gradual transition to Stamp Duty Self-Assessment System (STSDS), particularly for property transfer instruments effective 1 January 2027. Moreover, this digitalisation shift, accompanied by better enforcement is expected to enhance tax compliance. Meanwhile, PITA is expected to remain stable at RM20.5 billion.

Indirect tax collection is estimated to grow further by 8.3% to RM97.2 billion driven by steady business and consumption activities. The main contributor to the indirect tax collection is SST at RM73.3 billion or 3.2% of GDP. Of this total, sales tax and

service tax are forecast higher at RM30.9 billion and RM42.4 billion, respectively. The higher SST estimates by 9.5% is in tandem with sustained performance of private consumption, in anticipation of major events to be held in 2027, including the Visit Malaysia 2026 – 2027 as well as the 34th SEA Games which will be hosted in Malaysia. Meanwhile, excise duties collection is estimated to remain steady at RM11.8 billion due to the extension of duty exemption on locally assembled electric vehicles until the end of 2027.

Non-tax revenue is projected to increase marginally by 1.1% to RM83.7 billion attributed to investment income and non-revenue receipts. Investment income will be largely supported by higher contributions from PETRONAS (RM32 billion), BNM (RM7 billion) and Khazanah (RM3 billion). Furthermore, the Government also anticipates sustained contribution from KWAP amounting to RM6 billion to partly finance the retirement charges. In addition, licences and permits is projected to rise to RM17.2 billion, primarily driven by higher petroleum royalties amounting to RM6.7 billion. Receipts from motor vehicles licences and levy on foreign workers are expected to register at RM3.3 billion and RM3.7 billion, respectively.

While the assumption of the average global crude oil price continues to remain stable in 2027, **petroleum-related revenue** is expected to record at RM61.2 billion or 16.1% of total revenue, on account of a higher dividend from PETRONAS. Likewise, **non-petroleum revenue** is estimated to increase by 3.5% to RM319.6 billion demonstrating that major reforms in recent years continue to broaden

the tax base and resulting the gradual improvement of revenue generation capability in the medium term. This highlights the Government's ongoing commitment to reinforce fiscal resilience against future shocks while sustainably funding public expenditures for the well-being of the rakyat.

Conclusion

A sound and balanced revenue strategy are essential in achieving inclusive and equitable wealth distribution for the rakyat while maintaining a strong commitment to fiscal consolidation. Building on the reforms undertaken in previous years to broaden the tax base and diversify revenue sources, the MTRS will progressively place greater emphasis on strengthening tax administration, enhancing tax compliance and addressing revenue leakages. The Government also continues to foster a more conducive domestic business environment through initiatives aimed at facilitating ease of doing business, supported by clear and effective communication to strengthen investor confidence and unlock sustainable long-term growth. Furthermore, the Government is advancing efforts toward the publication of the Tax Expenditure Statement, which will enhance transparency and accountability in the management of tax expenditures, while aligning with international best practices. In essence, robust governance, policy certainty and predictability remain crucial to complement efforts in enhancing tax compliance and revenue optimisation thereby strengthening fiscal sustainability and ensuring the fiscal framework remains resilient and responsive to future economic shocks.

FEATURE ARTICLE

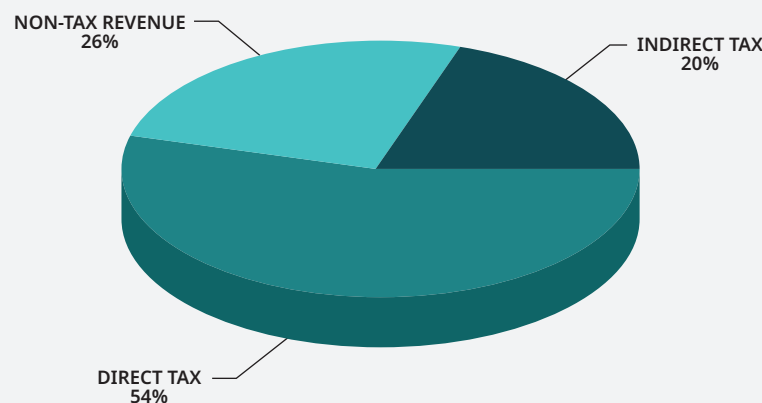
From Compliance to Collection: Broadening the Revenue Base

The unprecedented economic disruption during the COVID-19 pandemic necessitated the Government to deploy substantial fiscal stimulus in safeguarding public health, protecting household incomes, supporting businesses and sustaining economic activities. While these measures were necessary to mitigate the adverse impact of the crisis and support economic recovery, these also contributed to higher fiscal deficit and larger debt burden. As the economy recovered and growth became more sustained, strengthening the fiscal position remained essential to the Government's fiscal consolidation efforts. In this regard, the enactment of the Public Finance and Fiscal Responsibility Act 2023 [Act 850] provides the foundation to accelerate fiscal reform. This requires not only prudent expenditure management, but also efforts to strengthen and diversify the Federal Government's revenue base. A sustainable revenue framework is essential in providing adequate fiscal space to support the national development agenda, maintain the quality of public service delivery and strengthen the Government's capacity to respond effectively to future economic and fiscal challenges.

Impetus for Revenue Reform

The Federal Government's revenue is mainly concentrated with tax revenue, constituting a share of around 70% from overall revenue. Historically, tax revenue to GDP ratio recorded a peak high of almost 20%, when the country experienced a fiscal surplus, before demonstrating a downward trend over the subsequent years and a sharp decline during the pandemic in 2020. Tax revenue as a percentage to GDP started to normalise and was recorded at 11.6% in 2022.

FIGURE 1. Main Components of Federal Government Revenue (% Share)



Note: Percent share refers to average for 2021 – 2025
Source: Ministry of Finance, Malaysia

Revenue performance cannot rely solely on cyclical improvements in economic activities although economic growth remains the principal driver of revenue collection. A sustainable fiscal position requires a broader and more diversified tax base, supported by an effective administration and a higher level of compliance. Correspondingly, the Government has undertaken a series of revenue reforms since 2023 to strengthen tax administration, improve compliance and widen the tax base, lifting tax revenue to 12.6% of GDP. These reforms are aimed at enhancing the efficiency and transparency of the tax system while ensuring economic activities are adequately incorporated and contribute to the Federal Government's revenue.

Major Revenue Reform Initiatives

In line with the principles of the Ekonomi MADANI framework to secure a strong foundation for growth and contribute to the country's prosperity, the Government is committed to broadening the tax base in the medium and long term while ensuring equitable income redistribution to the rakyat. Furthermore, these revenue reforms signify a strategic shift towards a more progressive tax structure and the digital transformation of tax administration in strengthening compliance. This shift stems from the recognition that tax compliance is an essential foundation of revenue collection. However, compliance should not be viewed solely as the fulfilment of statutory obligations but also represents a broader commitment by taxpayers to uphold their responsibilities within the tax system and contribute fairly towards the financing of national development. Effective tax compliance encompasses the accurate declaration of income and transactions, timely submission of information, appropriate payment of taxes and the maintenance of reliable and complete records to facilitate effective tax administration. The implementation of these reforms was conducted with extensive engagements with key stakeholders, including industry players, associations, businesses and tax agents.

A. Phased Implementation of e-Invoice

The implementation of e-Invoice represents a major transformation in Malaysia's tax administration. It is designed to digitalise business transactions and provide the Inland Revenue Board of Malaysia (IRB) with real-time and structured information on commercial activities. The IRB has identified key benefits of e-Invoice which include improved transparency in income reporting, enhanced tax compliance and reduced revenue leakages arising from unreported or manipulated transactions. The significance of this reform extends beyond replacing paper invoices with electronic documents. The e-Invoice establishes a more connected information environment in which transactions of data can be validated and transmitted through the Government's digital infrastructure. This strengthens tax administration in identifying inconsistencies, improving risk assessment and focusing compliance interventions on areas of higher risk. In this respect, e-Invoice represents a more proactive and data-driven tax administration.

Malaysia adopted a phased approach in implementing e-Invoice to facilitate a smooth transition for taxpayers and provide sufficient time for businesses to adapt to the systems and processes. The first phase commenced on 1 August 2024 for taxpayers with an annual turnover or revenue exceeding RM100 million. Subsequent phases were followed by taxpayers with a turnover or revenue exceeding RM25 million up to RM100 million from 1 January 2025, and taxpayers with a turnover or revenue exceeding RM5 million up to RM25 million from 1 July 2025. Under the current implementation timeline, taxpayers with an annual turnover or revenue up to RM5 million are

brought into the framework from 1 January 2026, subject to the applicable rules and exemptions. However, in view of the feedback received from SMEs communities, taxpayers with an annual turnover or revenue below RM3 million are currently not mandatorily required to adopt e-Invoice.

The phased roll-out reflects the Government's recognition that businesses differ significantly in terms of size, technological readiness, transaction volumes and administrative capacity. It also provides an opportunity for the tax administration and business community to progressively strengthen systems, resolve operational issues and improve taxpayers' readiness. Since the implementation of e-Invoice, 265,379 taxpayers have submitted more than 1.8 billion e-Invoices, demonstrating strong adoption among taxpayers, including MSMEs¹. Over time, the accumulation of a structured transaction information will enhance the Government's understanding of economic activity across sectors. This can contribute to a more accurate risk profiling and improve identification of transactions that may otherwise remain outside the tax administration's visibility. For businesses, the reform also provides an opportunity to improve internal governance by strengthening record-keeping, automating accounting processes, reducing manual errors and improving the reconciliation of sales, purchases and tax obligations. Consequently, the benefits of e-Invoice extend beyond tax administration and can contribute to broader digital transformation within the business sector.

B. Sales Tax and Service Tax (SST) Scope and Rate Enhancements

As part of ongoing efforts to strengthen domestic revenue mobilisation and support fiscal consolidation, the Government revised the service tax rate from 6% to 8% beginning 1 March 2024 excluding telecommunication, food and beverages, parking as well as logistics services, which remained at 6%. This approach was intended to strengthen revenue collection while mitigating the impact on widely consumed services and essential economic activities. The revision formed part of the Government's efforts to further enhance the efficiency and sustainability of the indirect tax system by improving revenue yield from existing taxable activities, while maintaining appropriate considerations for households and businesses.

Following the upward revision in service tax rate in 2024, the Government further strengthened the customs tax framework through the scope expansion of SST, effective 1 July 2025. The reform was undertaken to broaden the tax base and enhance revenue mobilisation while adopting a targeted approach to minimise the impact on the majority of the rakyat. The service tax was expanded to cover additional categories of services, namely rental or leasing, construction, financial services, private healthcare and private education. The expansion was accompanied by appropriate thresholds, exemptions and relief measures to minimise cascading effects and avoid imposing tax on selected essential services. For example, exemptions were provided for certain residential rental agreements and transactions involving eligible MSMEs, subject to the prescribed conditions.

In an effort to apply a more progressive tax structure, the Government adopted a targeted approach to the revision of sales tax. Essential necessities, including food items, medicines, medical devices and selected basic construction and agriculture inputs, remained exempted or not subjected to sales tax. Higher rates of 5% or 10% were instead applied to selected discretionary and non-essential goods. The differences in tax rates were intended to widen the revenue base while minimising direct cost of living pressures on households.

¹ Based on IRB press release dated 30 August 2026.

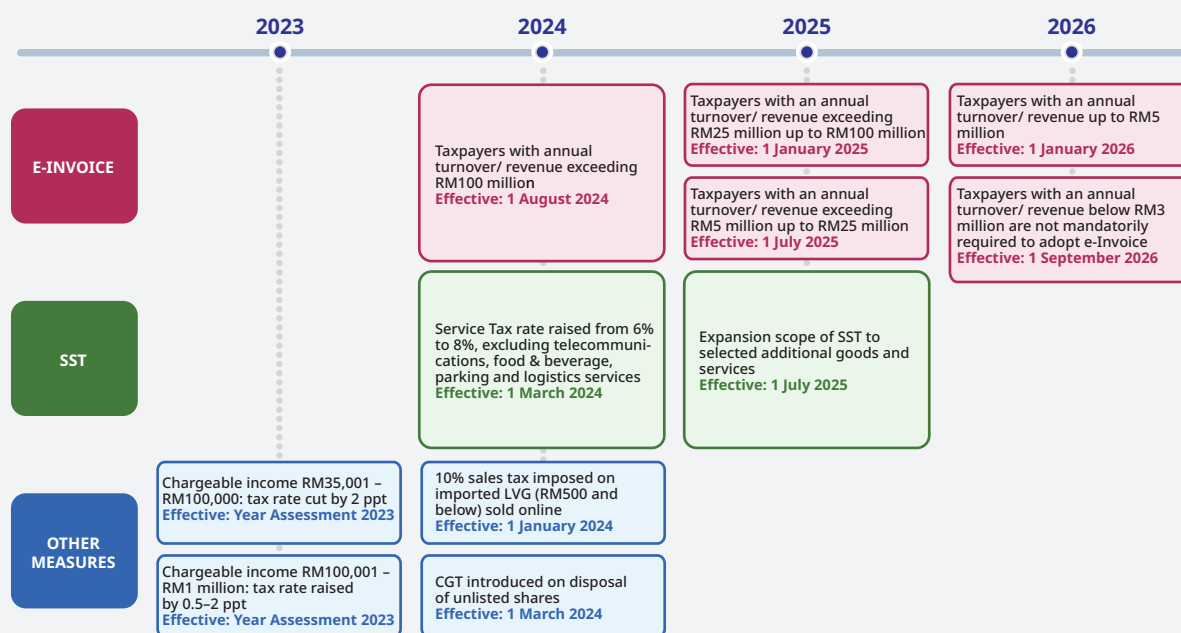
The SST reform represents a shift towards a broader and diversified revenue framework by expanding the tax base to cover a wider range of economic activities and capturing consumption patterns within the tax system. The Government also provided transitional and compliance facilitation measures to enable affected businesses to recalibrate their systems and processes. These measures reflect the Government's approach of balancing revenue mobilisation with the need to ensure a smooth implementation and minimise unnecessary compliance costs. This is shown through the number of SST registrants which grew from 94,783 registrants in 2018 to 123,567 as at end-2025. In this context, the expansion of SST should be viewed not merely as a tax policy review, but as a structural measure to strengthen the resilience, efficiency and sustainability of Malaysia's revenue framework.

C. Other Initiatives of Revenue Enhancements

In 2023, the Government reviewed the individual income tax rate structure as part of the efforts to enhance the progressivity of the tax system and strengthen revenue mobilisation. The tax rates for resident individuals with chargeable income between RM35,001 and RM100,000 were reduced by 2 ppt, providing relief to middle-income taxpayers, while rates for higher chargeable income bands between RM100,001 and RM1 million were increased by between 0.5 and 2 ppt. The revision reflected the Government's continued efforts to maintain a progressive and equitable tax framework while enhancing the contribution from higher-income segments towards a sustainable revenue.

Meanwhile, in January 2024, the Government implemented Sales Tax (Import) on Low Value Goods (LVG) at 10% for imported goods valued at RM500 or below that are sold online to consumers. The implementation of the LVG addressed the tax treatment disparity arising from the *de minimis* facility, particularly amid the rapid expansion of cross-border e-commerce transactions.

FIGURE 2. Major Revenue Reform Implementation Timeline



Source: Ministry of Finance Malaysia, Royal Malaysian Customs Department and Inland Revenue Board of Malaysia

By including untaxed low-value imports within the tax framework, expands the indirect tax base while promoting a more equitable and level playing field between domestic businesses, particularly MSMEs and overseas online sellers.

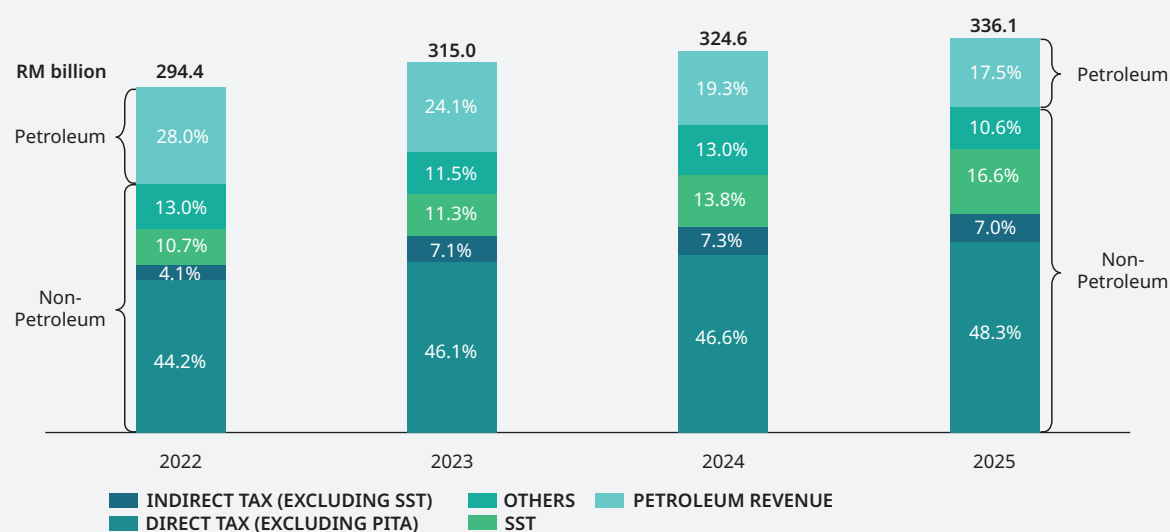
The Government has also undertaken measures to broaden the tax base by introducing the Capital Gains Tax (CGT) on the disposal of unlisted shares, effective 1 March 2024. The measure represents an important development in Malaysia's tax framework, as earnings arising from the disposal of shares were generally not subject to tax previously, except for shares in real property companies under the Real Property Gains Tax (RPGT) framework. The summary of the implemented major revenue measures is illustrated in Figure 2.

Impact to Revenue Performance

The combination of a wider tax base and improved digital visibility of economic transactions has enhanced compliance, facilitated a more effective risk-based enforcement and reduced potential revenue leakages. While the expansion of SST broadens the range of taxable activities, e-Invoice strengthens the availability and quality of transaction-level information. In this regard, tax revenue has demonstrated sustained growth over the years notwithstanding global uncertainties and volatile commodity prices. This reflects the resilience of the domestic economy, supported by the continued recovery in economic activity, as well as the Government's ongoing efforts to strengthen tax administration, enhance compliance and broaden the tax base.

The implementation of the major revenue measures has proven to be successful, demonstrated through the higher direct tax and indirect tax collection as shown in Figure 3. Direct tax collection improved from 8.6% of GDP in 2022 to 8.9% in 2025, while indirect tax increased from 3.1% to 3.9%. Overall, tax revenue to GDP ratio grew from 11.6% in 2022 to 12.8% in 2025, enabling fiscal planning to be undertaken on a more sustainable basis. Furthermore, the Government has also managed to reduce reliance on petroleum-related revenue from 28% of total revenue in 2022

FIGURE 3. Federal Government Revenue (RM billion and % Total Revenue)



Note: PITA refers to Petroleum Income Tax
Source: Ministry of Finance, Malaysia

to 17.5% in 2025, reflecting the increasing contribution from domestic-based taxation which has provide a more diversified revenue structure and helps reduce exposure to fluctuations in global commodity prices. The gains from these tax reforms are expected to strengthen the Federal Government's fiscal position, which are then allocated to finance public services, social protection and development priorities.

Way Forward

The Government will continue to advance tax reforms through a more structured and strategic medium-term approach, with the Medium-Term Revenue Strategy (MTRS) serving as an important framework for strengthening domestic revenue mobilisation. The MTRS provides a comprehensive policy direction to broaden the revenue base, enhance tax compliance and administration as well as to ensure the tax system remains progressive, efficient and responsive to Malaysia's evolving economic landscape. Building on this overarching framework, the Government will continue to strengthen the effectiveness of tax incentives and improve the management of tax expenditures to ensure revenue foregone delivers commensurate economic and social benefits.

The Government has also embarked on a journey to establish the New Incentive Framework (NIF) as a key reform to deliver a clearer, more targeted and outcome-based structure for investment incentives in Malaysia. The transition towards the NIF represents an enhancement of the existing incentive framework, with greater emphasis placed on attracting high-quality investments into high growth and high value sectors and encouraging activities that generate greater economic spillovers. Under the NIF, eligible companies may apply for one of two mutually exclusive tax incentives, namely the Special Tax Rate or the Investment Tax Allowance, subject to prescribed criteria and assessment requirements. This outcome-based approach is intended to ensure that the level of tax incentives provided remains commensurate with the actual performance, economic impact and contribution of the recipient companies, while strengthening the effectiveness of tax expenditures in supporting national development objectives.

Complementing these measures, the Tax Expenditure Statement (TES) is expected to enhance transparency and accountability in the management of tax expenditures by providing greater visibility over revenue foregone through tax exemptions, deductions, rebates, allowances and preferential tax treatments. The TES will also facilitate a more informed assessment of the effectiveness and fiscal costs of tax incentives, enabling the Government to evaluate whether existing measures remain relevant, appropriately targeted and consistent with the intended economic and social objectives. In this context, the TES is an important mechanism to support the effective implementation and evaluation of incentive frameworks by enhancing the Government's capacity to assess the fiscal implications and outcomes of tax incentives.

The initiatives under MTRS, NIF and TES serve as complementary components of a broader tax reform agenda. The MTRS provides the strategic direction for sustainable revenue mobilisation; the NIF strengthens the effectiveness and outcome-orientation of investment incentives; while the TES enhances transparency, accountability and evidence-based evaluation of tax expenditures. Collectively, these measures will strengthen the Government's capacity to formulate and implement tax policies in a more systematic, transparent and sustainable manner, while ensuring that revenue mobilisation remains supportive of investment, economic growth and equitable national development.

Conclusion

Beyond the broadening revenue base strategy, positioning Malaysia as a competitive, globally integrated and preferred investment hub is equally vital to promote sustained economic growth that underpin long-term macro-fiscal stability. Emphasis is also placed on policy certainty and investment facilitation, particularly in ensuring investor confidence to operate in a conducive domestic investment climate. These efforts will be complemented by medium-term tax reforms aimed at strengthening the efficiency, progressivity and resilience of the tax system, while taking into consideration the impact on households, businesses and overall economic competitiveness. Stronger and more sustainable revenue mobilisation will provide the Government with greater fiscal capacity to finance national priorities, strengthen public service delivery and respond effectively to future economic and social challenges. The continued pursuit of tax reform, digital transformation and governance improvements will therefore remain integral to Malaysia's efforts in building a resilient, inclusive and sustainable fiscal framework that supports long-term national development and the well-being of the rakyat.

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FIGURE 2.1. *Petroleum-Related and Non-Petroleum Revenue (% of total revenue)*

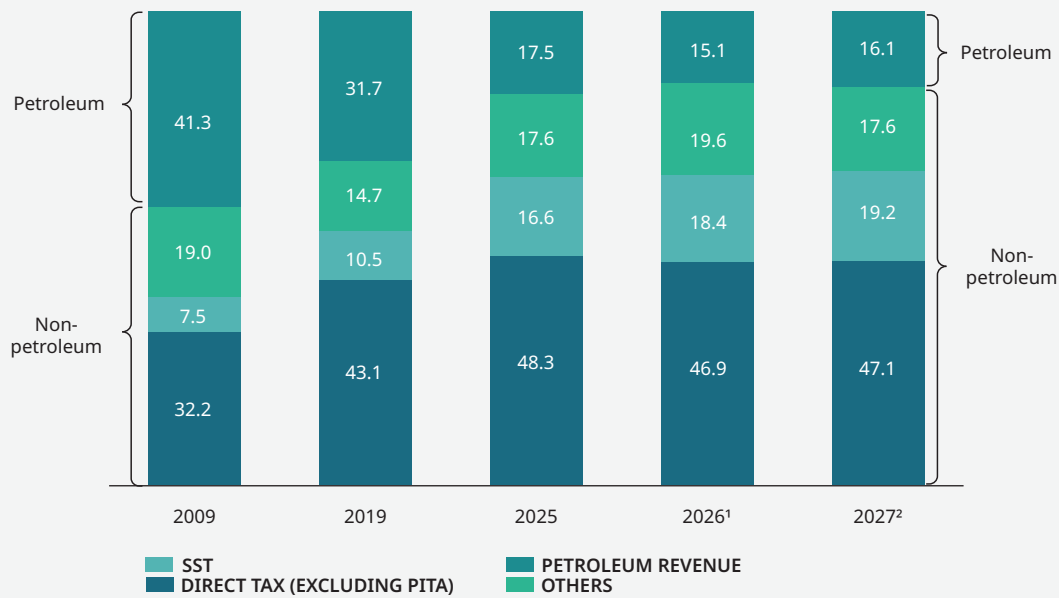
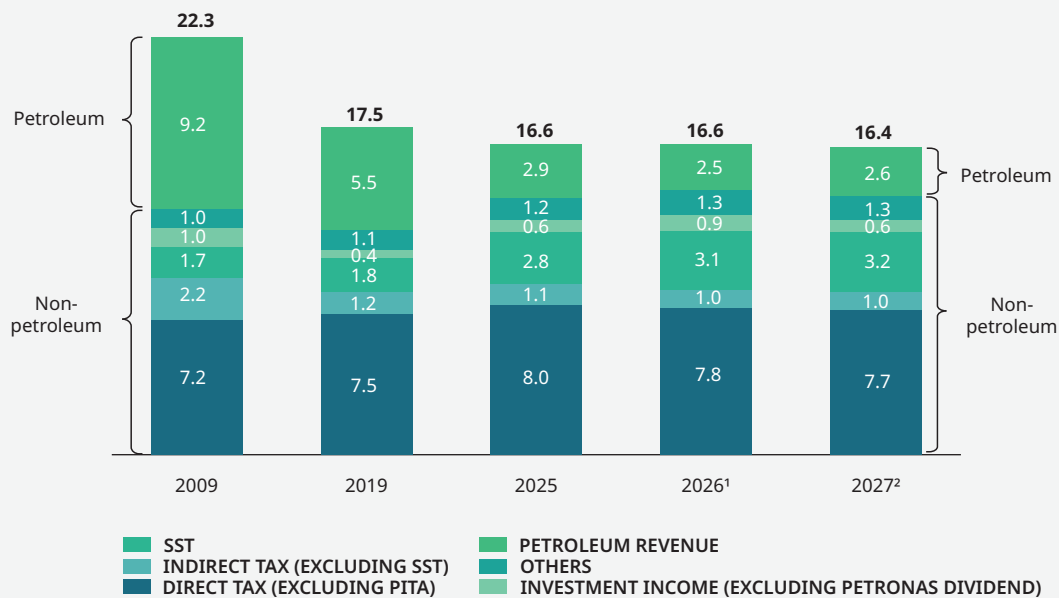


FIGURE 2.2. *Federal Government Revenue (% of GDP)*



¹ Revised estimate

² Budget estimate, excluding Budget 2027 measures

Source: Ministry of Finance, Malaysia