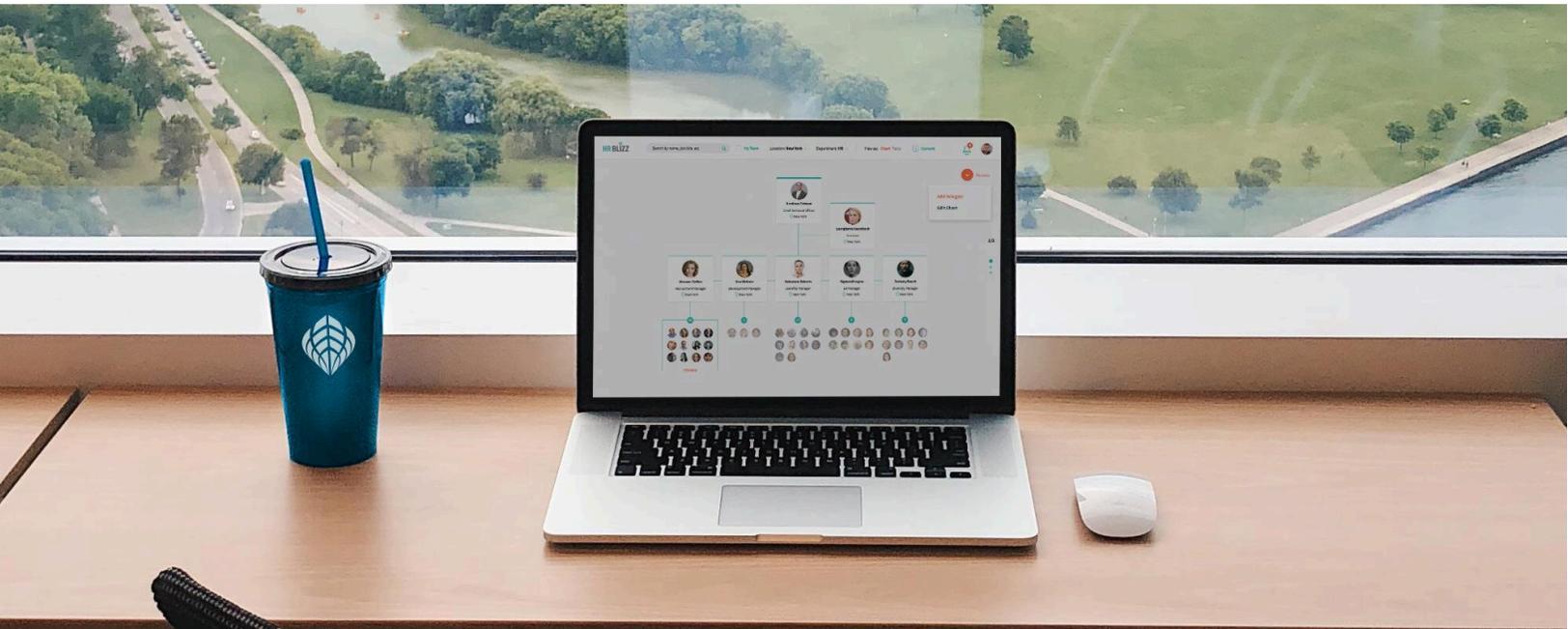




Simplifying Employment
Tasks Worldwide

Statutory Change Alert

MALAYSIA – MONTHLY TAX DEDUCTION (MTD)
CALCULATIONS CHANGES – 2026



MALAYSIA



Dec 17, 2025

© 2025 Mercans LLC



MERCANS

We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



Global Payroll Solutions - Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services - Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition - Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization and populate your pipeline of prequalified talents.



BPO Services - Reclaim the focus on your core activities to expand your business

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.



HR Management SaaS - Access customizable cloud-based online platforms

Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



MERCANS



Local Statutory Compliance - Forget the hassle of setting up branches abroad

Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



MERCANS

Mercans at a Glance

160+

Countries

20

Years of Success

1K+

Payroll and HR Specialists

22k+

Clients Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

95k+

Largest Single Country Payroll

25M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certificate certificate





MTD Calculations changes for 2026

The following key changes in the tax reliefs effective from 01 January 2026 has been passed in the Finance Bill 2025 and included in the MTD specifications for 2026:

1. EXPANSION OF TAX RELIEF FOR MEDICAL TREATMENT EXPENSES - VACCINATION EXPENSES

Current Provision:

Tax relief up to RM1,000 is available for vaccination expenses for self, spouse, or children for the following vaccines: Pneumococcal, HPV, Influenza, Rotavirus, Varicella, Meningococcal, Tdap, and COVID-19.

Changes for 2026 :

Individual income tax relief for vaccinations now covers all types of vaccines registered and approved by the National Pharmaceutical Regulatory Agency (NPRA), Ministry of Health. The approved vaccine list is available on the official NPRA website.

2. EXPANSION OF TAX RELIEF ON MEDICAL TREATMENT, SPECIAL NEEDS AND CARER EXPENSES FOR PARENTS / GRANDPARENTS

Current Provision:

Tax relief for a full medical check-up, including any vaccination, for parents/grandparents is allowed up to RM1,000, without requiring Ministry registration/approval.

Changes for 2026

To promote disease prevention and vaccination, expanded individual income tax relief for vaccines to cover all types registered and approved by the NPRA, Ministry of Health.



3. REVIEW OF TAX RELIEF FOR CHILD CARE FEES PAID TO A REGISTERED CHILD CARE CENTRES / KINDERGARTENS FOR A CHILD AGED 6 YEARS AND BELOW

Current Provision:

Individual income tax relief of up to RM2,000 is available for fees paid for childcare of children up to 6 years old at registered Childcare Centres (JKM) or Kindergartens (KPM).

An additional, temporary RM1,000 tax relief was made available from the year of assessment 2020 to 2027. Either parent may claim both reliefs.

Changes for 2026:

To support working parents, following changes have been made to the individual income tax relief:

- The time-bound RM1,000 relief has been made permanent and combined with the existing RM2,000 relief, totaling RM3,000 claimable tax relief.
- Eligible premises have been expanded to include daily care or after-school transit centers registered with the Department of Social Welfare (JKM) for children up to 12 years old.

4. REVIEW OF TAX RELIEF FOR PREMIUM OF LIFE, EDUCATION AND MEDICAL INSURANCES

Current Provision:

Individual income tax relief is provided as follows:

- Life insurance premiums or takaful contributions (self, spouse) up to RM3,000.
- Education and medical insurance premiums (self, spouse, children) up to RM4,000.

Changes for 2026:

Expansion of the RM3,000 individual income tax relief for life insurance/takaful contributions (for self, husband/wife) to include children.



Eligibility for insured children's relief (life, education, and medical insurance/takaful) is:

- Unmarried, under 18; or
- Unmarried, 18+, pursuing tertiary education or other conditions prescribed; or
- Unmarried disabled children (no age limit).

5. INCREASE TAX RELIEF FOR MEDICAL TREATMENT EXPENSES ON EARLY INTERVENTION PROGRAMMES OR REHABILITATION TREATMENT FOR CHILDREN WITH LEARNING DISABILITIES

Current Provision:

Tax relief for individual income is limited to RM6,000 for medical treatment expenses for self, spouse, or children. This includes diagnostic examinations, early intervention, and continuous rehabilitation for children with learning disabilities aged 18 and below.

Changes for 2026:

The individual income tax relief limit for diagnostic examinations, early intervention, and rehabilitation treatment expenses for children under 18 with learning disabilities (including autism, ADHD, GDD, intellectual disability, Down syndrome, and specific learning disabilities) is increased from **RM6,000 to RM10,000**. The aim is to continue supporting early intervention programmes and rehabilitation treatment for children with learning disabilities,

6. EXPANSION ON INDIVIDUAL INCOME TAX RELIEF FOR EXPENSES ON ADMISSION FEES TO TOURIST CENTRES AND CULTURAL PROGRAMMES

Current Provision:

From 2020 to 2022, individuals could claim up to RM1,000 in income tax relief for domestic tourism expenses, including: i. MOTAC-registered accommodation fees; ii. admission to tourist attractions; and iii. domestic tourism packages purchased via MOTAC-licensed travel agents..

Changes for 2026:



Proposed tax relief of up to RM1,000 for admission fees to tourist attractions (museums, theme parks, national/marine/wildlife parks, zoos, geoparks) and cultural/arts programmes.

7. EXPANSION OF TAX RELIEF FOR INCOME TAX RELIEF FOR ENVIRONMENTAL SUSTAINABILITY AND HOME SAFETY-RELATED EXPENDITURE

Current Provision:

Individuals can claim income tax relief up to RM2,500 for environmental sustainability expenses. This includes:

- i. EV charging facility costs (purchase, rental, installation, or subscription) from the 2022 to 2027 assessment years.
- ii. Purchase of a household food composting machine, claimable once every three years from the 2025 to 2027 assessment years.

Changes for 2026:

To encourage sustainable and safe living, the existing income tax relief (up to RM2,500) has been expanded to also cover the following:

- (i) household food waste grinders and
- (ii) home-use Closed-Circuit Television (CCTV). The tax relief for food waste grinders and/or CCTV can be claimed once every two years of assessment.

The above relief can be taken once in 2 years and is applicable for Year of Assessment 2026 and 2027.

Please contact your Mercans' services delivery team for any additional information regarding the implications of the above change



MERCANS

They already trust Mercans





MERCANS

What Makes Mercans your HR and Payroll Partner of Choice?

We Simplify Employment Tasks Worldwide

Everywhere for Everyone

We are a borderless people engagement enabler, driven by technology and innovation. We deliver bespoke human capital management services and global payroll solutions to empower businesses across 110+ countries regardless of their organizations' size and their industry. We pride ourselves on being global people experts with a striking local presence, committed to making your teams happy, and ensuring the consistent and sustainable growth of your organization.

Local Presence. Regional Strategy. Global Success

Supported by 500+ payroll and HR specialists with in-depth local knowledge, Mercans operate globally. Our pioneering human resources consulting services and trailblazing SaaS platforms are already satisfying 5,000+ international clients, ensuring timely measurable results and bottom-line savings. Thanks to success-oriented teams striving for excellence and taking care of our clients' tasks within budget, we have gained the trust of major multinational companies.

A Revolutionary Service Delivery System

Say goodbye to third-party service providers, offshore call centers, fragmented data, and endless chains of sub-contracts.

Mercans cloud-based SaaS Products, HR Blizz™ & Mesar™, combine the performance of proprietary technologies with a human touch. Cost-effective, they are fully-compliant self-service tools, packed with smart built-in features for your peace of mind. All your data are integrated into single interfaces accessible from everywhere and on any device.

Trailblazing Cloud-Based SaaS Products

HR Blizz & Mesar, our Software-as-a-Service platforms, both propose a preconfigured API integration capability with all the major global HRMS platforms, including SuccessFactors, Workday, Oracle HCM, and MS Dynamics. All Mercans systems and processes are GDPR compliant, ISO 9001, 20000, 27001 certified, and SOC 1 and SOC 2 audited. A registered Finpro expert, Mercans is also a member of the Global Payroll Association and the Global Payroll Management Institute.



Simplifying Employment
Tasks Worldwide

+1 877 MERCANS (637 2267) | Toll-Free

Europe: +44 20 328 777 62
Americas: +1 646 798 5541
Middle East: +971 43 999 260
Asia: +81 50 5539 5354

info@mercans.com | mercans.com

© 2025 Mercans LLC