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RON95 Subsidy Cuts is Just The Beginning

By Edward Cheah, Pacific Trustees
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The RON95 subsidy cut is the fiscal story everyone is reading about this week. It is not the fiscal story that matters most for Malaysian families with property and business interests.

That distinction is worth pausing on.

Yes, the price of RON95 will roughly double for higher-income households once subsidies are withdrawn — from RM1.99 to around RM4.02 per litre. Yes, the debate around where the T20 cut-off should sit is a legitimate one. But strip away the news cycle, and a more consequential conversation has been happening quietly in policy circles.

During the Budget 2025 deliberations, inheritance tax was openly listed among several proposed new revenue measures being considered. It joined high-value goods tax, carbon tax, and others. That discussion has continued since.

Malaysia has not had an inheritance tax since 1991. For thirty-five years, that absence has shaped how Malaysian families plan their wealth — or, more often, how they don't. There has been no fiscal urgency. No tax penalty for putting off the will, the trust, the property restructuring. Estate planning has lived comfortably on the "someday" list for an entire generation.

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The current policy environment is making that mindset worth a fresh look.

This isn't about one tax. It's about a pattern.
Over the past three fiscal years:

→ Capital gains tax was introduced in January 2024 under Section 4(aa) of the Income Tax Act — the first formal capital gains levy in decades.

→ The SST base was broadened, stamp duty self-assessment was introduced, and e-invoicing rolled out across business sizes.

→ Now, RON95 subsidies for higher-income groups are being withdrawn.

Each of these measures has been politically calibrated to remain manageable on its own. Together, they reflect a clearly stated policy direction: the government has said repeatedly that it intends to close the fiscal gap primarily through revenue.

This is not a prediction about what comes next. Whether inheritance tax is ultimately reintroduced rests with the government and Parliament, and there are reasonable views on multiple sides. But the conditions that made estate duty uneconomical in 1991 have meaningfully changed.

Three things in particular:

Asset values. A typical landed home in Klang Valley today would have exceeded the top duty bracket of the 1941 Estate Duty Enactment. The collection arithmetic of 1991 was built around a different property market.

Administrative capacity. The IRB now operates with infrastructure that did not exist three decades ago — e-invoicing, MyTax, beneficial ownership registries, CRS data exchange with other jurisdictions.

Public discussion. The topic is no longer politically untouchable. It has been raised, openly, in budget deliberations.

For families with meaningful estates, the prudent response is not to wait for policy certainty before planning. It is to make sure the family's wealth structure is sound, well-documented, and resilient — whichever direction policy ultimately takes.

That typically involves reviewing:

✓ Whether your current will reflects today's family and business reality
✓ For Muslim families, how wasiat, faraid, and hibah arrangements interact
✓ Whether trust structures could provide better control, continuity, or privacy — private trusts, Labuan trusts, hibah amanah
✓ Liquidity at the point of inheritance, often through insurance-based planning
✓ Property ownership structures, joint tenancies, and family-held companies
✓ Beneficiary nominations across EPF, takaful, insurance, and investment accounts

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None of these require any specific tax change to make sense. They are sound planning regardless. What an evolving fiscal landscape does is shorten the window in which families can put these arrangements in place calmly, on their own terms — rather than reactively.

Estate planning is one of those decisions where the cost of delay rarely announces itself during the owner's lifetime. It shows up at the worst possible moment, on the people left behind.
The petrol subsidy debate is loud. It is also temporary.

The quieter conversation about how Malaysia funds its future is the one with longer consequences for family wealth.

For families who have been meaning to look at their estate plans — this is a good quarter to actually do it.

Curious to hear how others are thinking about this — has the recent policy direction changed how you're approaching family wealth planning?