

TaxSumit 2025-Johor

JOHOR

5 November 2025

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Indirect Tax: Connecting the Dots

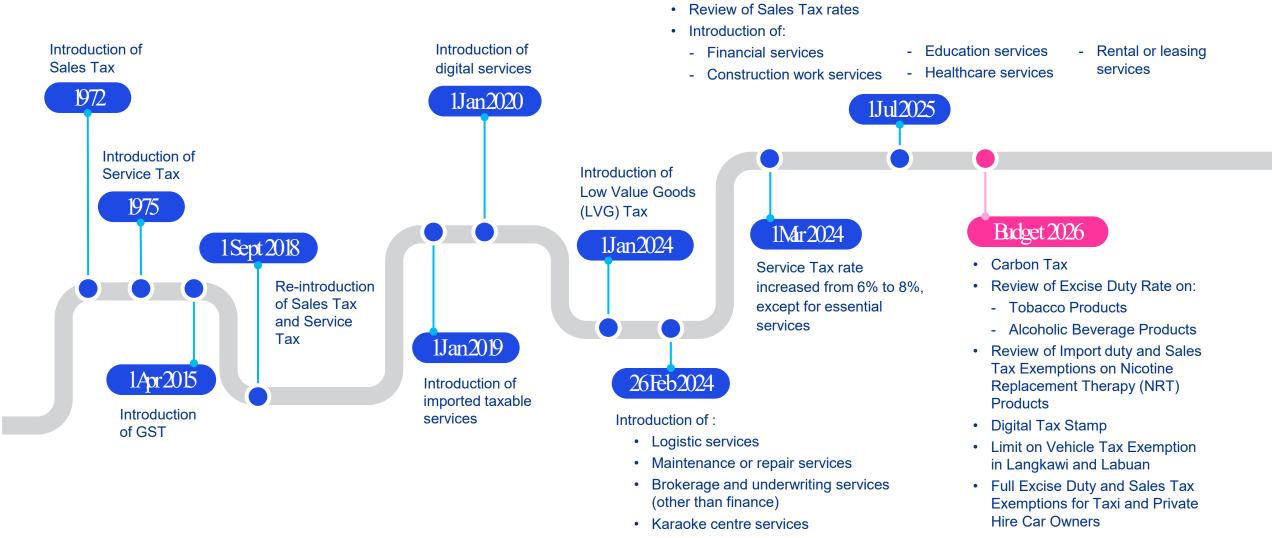
Ng Sue Lynn

Partner, Head of Indirect Tax | KPMG in Malaysia

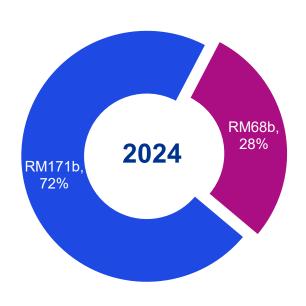
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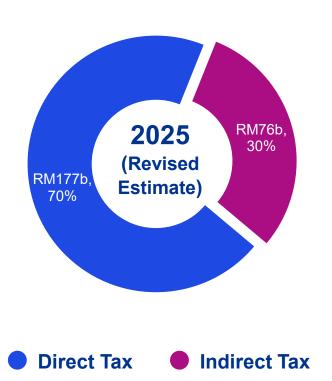


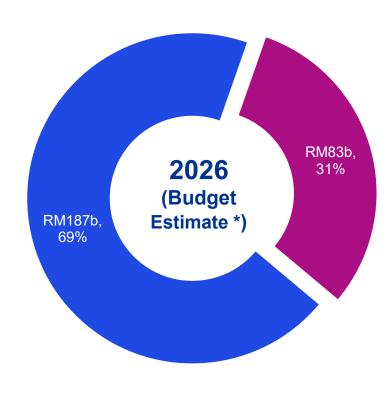
Timeline of Sales Taxand Service Tax



Federal Covernment Revenue—Direct & Indirect Taxes





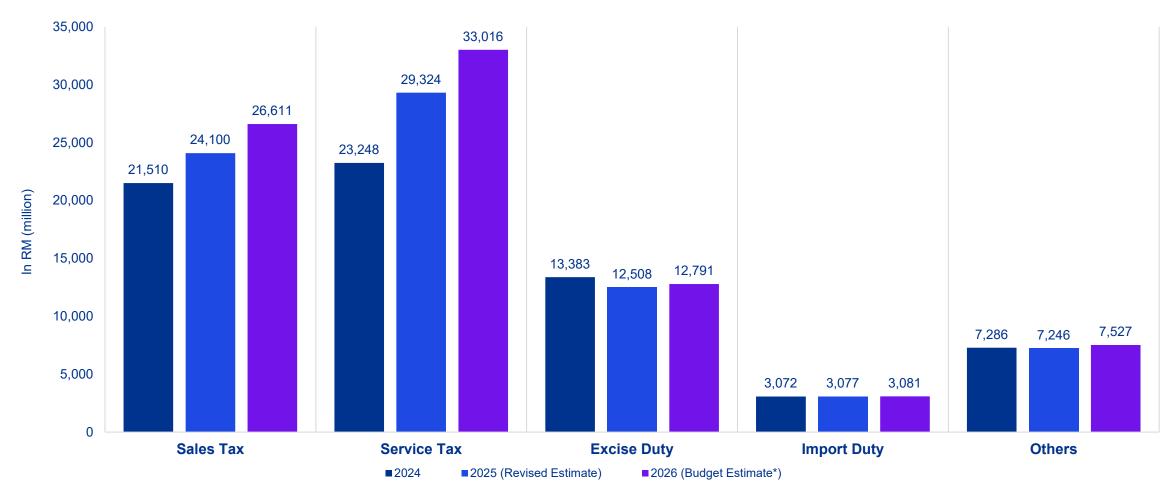


Source: 2026 Fiscal Outlook and Federal Government Revenue Estimates

* Excluding Budget 2026 measure



Revenue Beakdown for Indirect Tax



Source: Ministry of Finance, 2026 Fiscal Outlook and Federal Government Revenue Estimates

^{*} Excluding Budget 2026 measure



2026 Federal Covernment Revenue

HASIL KERAJAAN PERSEKUTUAN 2026 2026 FEDERAL GOVERNMENT REVENUE

RM 343.123.918.000

188,670,000

342,332,278,000

JUMLAH HASIL KERAJAAN PERSEKUTUAN Sebelum diambilkira perubahan cukai yang dicadangkan

dalam Belanjawan 2026

TOTAL FEDERAL GOVERNMENT REVENUE

Before taking into account tax changes proposed in the 2026 Budget

LANGKAH PERCUKAIAN:

TAX MEASURES:

60000 HASIL CUKAI TAX REVENUE

62800

61000 CUKAI LANGSUNG (1,156,220,000) DIRECT TAX 61100 Cukai Pendapatan (1,189,370,000) Income Tax 61900 Cukai Langsung yang lain 33,150,000 Other Direct Tax **CUKAI TIDAK LANGSUNG** 62000 364,580,000 INDIRECT TAX 62200 Duti Import (3,150,000)Import Duty

62400- Cukai Jualan 11,710,000 62500 *Sales Tax*

Duti Eksais Terhadap Barangan Tempatan

Excise Duty on Local Products

Duti Eksais Terhadap Barangan Import 167,350,000 Excise Duty on Imported Products

Pengurangan Hasil Bersih (791,640,000)
Net Revenue Loss

JUMLAH HASIL KERAJAAN PERSEKUTUAN

Selepas diambilkira perubahan cukai yang dicadangkan dalam Belanjawan 2026

TOTAL FEDERAL GOVERNMENT REVENUE

After taking into account tax changes proposed in the 2026 Budget

62000	CUKAI TIDAK LANGSUNG INDIRECT TAX	364,580,000
62200	Duti Import Import Duty	(3,150,000)
62300	Duti Eksais Terhadap Barangan Tempatan Excise Duty on Local Products	188,670,000
62400- 62500	Cukai Jualan Sales Tax	11,710,000
62800	Duti Eksais Terhadap Barangan Import Excise Duty on Imported Products	167,350,000
	Pengurangan Hasil Bersih Net Revenue Loss	(791,640,000)

Source: Ministry of Finance, 2026 Fiscal Outlook and Federal Government Revenue Estimates



2026Brdget-Indirect Tax Perspective

- 1 Carbon Tax
- 2 Excise Duty Rate On :
 - Cigarettes
 - Cigars, Cheroots and Cigarillos
 - Heated Tobacco Products
- 3 Excise Duty Rate on Alcoholic Beverages
- Import Duty and Sales Tax Exemption on Nicotine Replacement Therapy ("NRT")
 Products

- 5 Digital Tax Stamp
- 6 Limit on Vehicle Tax Exemption in Langkawi and Labuan
- 7 Full Excise Duty and Sales Tax Exemptions for Taxi and Private Hire Car Owners





To achieve carbon neutrality by 2050

Carbon Tax 2026

Iron, Steel and Energy Sectors

Frameworks:

National Carbon Market Policy (Dasar Pasaran Karbon Kebangsaan)

National Climate Change Bill (Rang Undang-Undang Perubahan Iklim Negara)

- Mechanism of Carbon Tax?
- Impact on prices?
- Interaction with CBAM?
- How do other countries compare?
- Carbon Trading: Taxable or tax deductible? Is it a goods or services? Is it subject to Sales Tax or Service Tax?

Carbon Tax in other countries



2019 - 2023: SGD5/tCO₂e

2024 - 2025: SGD25/tCO₂e

2026 - 2027: SGD45/tCO₂e

By 2030: SGD50 – SGD80/tCO₂e



JPY 289 (USD 1.89)/tCO₂e (fixed rate since 2012)



200 Baht (USD6.14)/tCO₂e



Postponed introduction of carbon tax



Excise Daty Rate

Current

Cigarettes

Tariff Code	Import Duty	Sales Tax	Excise Duty
2402.20.2000			
2402.20.9000	RM0.20/ stick	10%	RM0.40/ stick
2402.90.2000			

Proposed



Excise Duty

RM0.40 + RM0.02/ stick (RM0.40 per 20 sticks pack)

Cigars, Cheroots and Cigarillos

Tariff Code	Import Duty	Sales Tax	Excise Duty
2402.10.0000	RM200 / KG	10%	RM400 / KG
2402.90.1000	RIVIZUU / KG	10%	KIVI400 / KG



Excise Duty

RM400 + RM40 / KG

Proposed Effective Date : In phases from 1 November 2025

Excise Daty Pate

Current

Heated Tobacco Products

Tariff Code	Import Duty	Sales Tax	Excise Duty
2404.11.0000	5% + RM50/ KG	10%	RM778/ KG of tobacco content



Proposed



Excise Duty

(RM778 + RM20)/ KG of tobacco content

The above is proposed to be effective from 1 November 2025.



Excise DatyRate

Current

Alcoholic Beverages

Tariff Code	Product Description	Excise Duty (RM) (per 100% vol. per liter)
22.03	Beer	175.00
2204.10.000	Sparkling wine	450.00
2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20, 2208.30, 2208.40.0000, 2208.50.0000, 2208.60.0000	Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka	150.00
2206.00.1000, 2206.00.2000, 2206.00.4100, 2206.00.4900, 2206.00.6000, 2206.00.9100, 2208.70.1000, 2208.70.9000, 2208.90.5000, 2208.90.6000, 2208.90.9100, 2208.90.9900	Cider and perry, sake, shandy, wine (vegetable & fruit juice), other rice wine, liqueurs and cordials, arrack or pineapple spirit	60.00
2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	Samsu (including medicated samsu)	60.00
2206.00.3100, 2206.00.3900, 2206.00.5000, 2206.00.9900, 2208.90.7000, 2208.90.8000	Coconut palm toddy, mead, bitters	40.00
2207.10.0000	Undenatured ethyl alcohol	22.50 and 15%
2207.20	Ethyl alcohol and other spirits	1.10 and 15%

Proposed

Excise Duty

Increase by 10%

The above is proposed to be effective from 1 November 2025.



Import Duty and Sales Tax Exemption on N

Current

Proposed

Tariff Code	Product	Import Duty	Sales Tax
2404.91.1000	Nicotine Gum	15%	5%
2404.92.1000	Nicotine Patch	0%	10%
2404.91.9000	Nicotine Mist	15%	5%
2404.91.9000	Nicotine Lozenges	0%	10%

Nicotine gum and nicotine patch are exempted from Import Duty and Sales Tax from 1 April 2023 to 31 March 2026

Extension

Import duty and Sales Tax exemption on nicotine gum and nicotine patch until 31 December 2027

Expansion

 Expansion of scope for exempted NRT products to include **nicotine mist** and **nicotine lozenges** from **11** October 2025 to 31 December 2027

Applicable for applications received by the Ministry of Finance ("MOF") from 11 October 2025 to 31 December 2027.



Dgital Tax Stamp

• The Malaysian Government is committed to good governance and accountability, with enforcement agencies [including the Royal Malaysian Customs Department ("RMCD")] managing to seize assets and collected penalties amounting to approximately,

RV5.5billion

 To promote better governance and enforcement, it is proposed that the RMCD will introduce a digital tax stamp with:



Enhanced security features to curb counterfeits



Manage leakages at the country's entry point through a Centralised Screening Complex CCTV







Limit on Vehicle Tax Exemption in Langka

Current

 Duty and Sales Tax exemptions are available on locally assembled and imported motor vehicles in Langkawi and Labuan, subject to meeting conditions

Goods Exempted*

One motor vehicle of any description or one motor cycle, registered in and transported from Labuan or Langkawi and subsequently returned to Labuan or Langkawi

Conditions*

v. That the motor vehicle /
motor cycle may remain in
the principal customs area
for a period not exceeding
ninety days in any one year



^{*} Extracted from Customs Duties (Exemption) Order 2017

Proposed

 Tax exemption on motor vehicles in Langkawi and Labuan be limited to those valued not exceeding

RV300,000 (effective 1January 2026)

• The RM300,000 ceiling price is aimed to:



prevent tax leakage on the purchase of luxury vehicles; and



allow vehicles below the threshold to continue enjoying the tax exemption

Tax & Business Summit 2025

Excise Duty and Sales Tax Exemptions for Taxi and Private Hire Car Questions

Proposed

100% Exemption Excise Datyand Sales Tax

• For the purchase of new national vehicles, PROTON and PERODUA models, by taxi owners and private hire car owners.







Expansion of Scope for Service Tax



Expansion of Scope for Service Tax

Taxable Services Effective 1 July 2025	Service Tax Rate
Healthcare Education Wo	
Finance Rental or leasing	8%

Group K: Rentalor Leasing Services

Key Details	Information
Taxable person	Any person who provides rental or leasing services
Taxable services	Provision of all types of rental or leasing of tangible asset services including any other services which form part of the rental or leasing services excluding : i. housing accommodation ii. tangible assets located outside Malaysia or iv. through financial lease
Service Tax Rate	8%
Registration threshold	RM1,000,000 in a 12-month period
Some Available Exemptions (not exhaustive)	 B2B exemption Federal Governments and State Governments Local Authorities (until 30 September 2025) Tenants who are Small & Micro Enterprises (SMEs) with annual sales of not exceeding RM1,000,000 Rental or leasing services under non-reviewable contracts are exempted from payment of Service Tax for 1-year period from 1 July 2025, subject to meeting conditions Group relief



Group L: Construction Work Services

Key Details	Information
Taxable person	Any person who provides construction works services
Taxable services	Provision of any construction works services excluding : i. the construction of a residential building; and ii. public facility related to the residential building
Service Tax Rate	6%
Registration threshold	RM1,500,000 in a 12-month period
Some Available Exemptions (not exhaustive)	 B2B exemption Federal Governments and State Governments Local Authorities (until 30 September 2025) Construction works under non-reviewable contracts are exempted from payment of Service Tax for 1-year period from 1 July 2025, subject to meeting conditions



Group H Financial Services

Key Details	Information
Phases	 1 July 2025 (Specific financial services that are charged for fees or commission as listed in Appendix A of the Service Tax Policy 1/2025) 2. 1 October 2025 (Other financial services that are charged for fees or commission not listed in Appendix A of the Service Tax Policy 1/2025)
Taxable Person	The provision of any financial services by regulated and non-regulated persons
Taxable Services/ Registration threshold	 Item 1: Credit or charge cards – No threshold Item 2: Insurance or takaful services – RM1,000,000 in a 12-month period Item 3: Financial services (by regulated person) – RM1,000,000 in a 12-month period Item 4: Financial services (by non-regulated person) – RM1,000,000 in a 12-month period
Service Tax Rate	RM25 (credit card and charge cards)8%
Some Available Exemptions (not exhaustive)	 B2B exemption by any person regulated by the Labuan Financial Services Authority Federal Government, State Government and Local Authorities B2B exemption for taxable financial services Financial services under non-reviewable contracts are exempted from payment of Service Tax for 1-year period from 1 July 2025, subject to meeting conditions Ministerial exemptions



Service TaxPolicies 2025—Recent Amendments

Service Tax Policy	Service Tax Exemption	Effective Date
1 (Financial Services)	 Exemption from payment of service tax on management services for fixed price funds under Amanah Saham Nasional Berhad (ASNB) [previously was Permodalan Nasional Berhad (PNB)] Exemption from payment of Service Tax on the acquisition of re-insurance services or retakaful services by insurance companies or takaful companies [new] 	17 October 2025
2 (Rental or Leasing Services)	 Group relief cover imported taxable services Conditions for group relief have also been updated Business-to-business (B2B) exemption facility on rental or leasing services for the period from 1 July 2025 to 31 August 2025 is granted to rental or leasing service providers who newly reach the registration threshold in July 2025 and have applied for Service Tax registration on or before 31 August 2025 [new] 	1 July 2025



Service TaxPolicies 2025—Recent Amendments

Service Tax Policy	Service Tax Exemption	Effective Date
	 Non-reviewable contracts – The contract* is made in writing, signed before 1 July 2025, and duly stamped with stamp duty by the Inland Revenue Board of Malaysia (LHDN) before 31 December 2025 including any variation order/ extension of time Service Tax exemption on the construction of residential buildings and public facilities related to those residential buildings built within a mixed development project [new] 	
3 (Construction Works Services)	Non-Residential Built-Up Area Total Built-Up Area (Non-Residential + Residential)	1 July 2025
	 B2B exemption facility on consultancy services under a design and build construction contract <i>[new]</i> B2B exemption facility on construction work for the period from 1 July 2025 to 31 August 2025 is granted to construction work service providers who newly reach the registration threshold in July 2025 and have applied for Service Tax registration on or before 31 August 2025 <i>[new]</i> 	



Service TaxPolicies 2025—Recent Amendments

Service Tax Policy	Service Tax Exemption	Effective Date
4 (Education Services)	 Children and dependents of foreign diplomats are exempted from paying Service Tax on educational services [new] Education fees or service charges that are fully sponsored by educational institutions, higher learning institutions, companies, foundations, or other organizations are exempted from Service Tax [new] 	1 July 2025



2025

Service TaxPolicyNo. 5/2025 (Amendment No. 2) dated 23 October 2025

Private Healthcare Services – Available Exemptions (Effective 1 July 2025)



Consultation fees charged by professional doctors at registered private healthcare facilities, practitioners of traditional and complementary private medical practices, and private allied health services

(Any Service Tax already collected are to be remitted to Customs)* NEW



Private healthcare service providers registered or licensed under Act 586 (whether registered or not under the Service Tax Act 2018) who also provide <u>other services under Group A and Group B</u> of the First Schedule, Service Tax Regulations 2018, other than healthcare services [1 Sep 2018 – 30 Jun 2025] NEW



All foreign diplomats or international organizations and their dependents upon verification by the Ministry of Foreign Affairs*









Providers of health screening management services for non-citizen workers such as FOMEMA

Health screening services for non-citizen workers provided by private healthcare facilities through health screening management service providers such as FOMEMA (Any Service Tax already collected are to be remitted to Customs)

NEW



Private healthcare service providers registered or licensed under Act 586 (whether registered or not under the Service Tax Act 2018) who also provide <u>other services</u>

as listed in the First Schedule, Service Tax

Regulations 2018, other than healthcare services

[1 Sep 2018 – 30 Jun 2025]





Private Healthcare Services – Service Tax Treatment (Effective 1 July 2025)

Subject	Service Tax Treatment
Private hospitals that obtain healthcare services from third parties (other private healthcare facilities or other private allied health facilities)	 a) No B2B exemption granted for other healthcare services within the same group of services b) Scenario 1 - Non-citizen walks in: Non-citizen patient referred from private healthcare facility A to B. Non-citizen patient walks in to private healthcare facility B Private healthcare facility A invoices non-citizen patient treated at private healthcare facility B Private healthcare facility B invoices private healthcare facility A for treatment on non-citizen patient – subject to Service Tax c) Scenario 2 - Non-citizen does not walk in: Non-citizen patient's blood and urine samples sent to private healthcare facility B from A for testing. Private healthcare facility A invoices non-citizen patient for testing done at private healthcare facility B Private healthcare facility B invoices private healthcare facility A for testing non-citizen patient's blood and urine samples – not subject to Service Tax



Service TaxPolicyNo. 6/2025—(2/2) dated 23 October 2025



Private Healthcare Services – Service Tax Treatment (Effective 1 July 2025)

Subject	Service Tax Treatment
Medical aid	Subject to Service Tax
Non-citizen patients who have Malaysian spouses and are employed by the government, where payment for treatment is made through a Government Guarantee Letter (GL).	Subject to <u>Service Tax</u> – Borne by non-citizen patient upon discharge
Private hospitals (including private healthcare facilities, private traditional and complementary medicine practitioners, and private allied health facilities) providing ancillary services (other than healthcare treatment) to non-citizen patients, such as luggage storage.	Subject to Service Tax
Private healthcare facilities (including private traditional and complementary medicine facilities, and private allied health facilities) that provide rental services of medical machines or equipment for the purpose of delivering healthcare treatment to non-citizen patients.	Subject to Service Tax under healthcare (6%)







Construction Work Services – Service Tax Treatment (Effective 1 July 2025)

	Subject	Service Tax Treatment
	Engineering, Procurement, Construction And Commissioning (EPCC) Contracts For The Construction Of Ships Or Platforms	 Option to determine the meaning of shipbuilding (construction or manufacturing) subject to the below conditions: a) If Service Tax (i.e. construction) - categorized as a construction project (EPCC / design & build) and is eligible for B2B exemption for professional services b) If Sales Tax (i.e. manufacturing) - categorized as a sale of goods, and no Service Tax will be imposed but will not be eligible for B2B exemption for professional services (traditional construction model approach)
	Registered Sales Tax Manufacturers Undertaking Contracts Related to Installation Works	For installation-related contracts that have: a) Itemised billing – Service Tax is charged only on the installation work b) Non-itemised billing – i. If Sales Tax registered – installation work is treated as part of the value of goods supplied, hence Sales Tax is applicable on the whole contract value ii. If not Sales Tax registered – value of goods supplied is treated as part of the installation work, hence Service Tax is applicable on the whole contract value
INVOICE INVOIC	Invoices Related to the Supply of Construction Materials / Goods and Construction Work Services	Where the value of construction materials / goods supplied and construction work services are: a) Separate invoices / itemised billing – Service Tax is applicable on the installation work b) Non-separated invoices / non-itemised billing – Service Tax is applicable on the total value of the invoice.



Sales TaxPolicies 2025

Sales Tax Policy No.	Sales Tax Exemption	Effective Date	Refund Application Procedure
1	Motorcycles	1 July 2025	Not stated
2	Importation of soya beans		
3	Raw Materials Manufacturing Aid Cleanroom Equipment Packing and packaging materials	1 July 2025	 Subject to meeting prescribed conditions Submit form JKDM No. 2 to the Technical Services Division of the applicant's controlling
4	Under Item 55, Schedule A, Sales Tax (Persons Exempted From Payment of Tax) Order 2018 Machinery Equipment Spare Parts		station. • By 30 November 2025



Audit Verifikasi Pematuhan





Sales Tax, Service Tax, Service Tax on Digital Services, Customs Duties, Excise Duties and Tourism Tax



New audit direction for RMCD



Comprehensive audit to ensure audit quality



To prevent tax leakage



Risk Management

Verification and profiling



Increase Efficiency

Minimise checking



Audit Finding - Compliance

Where taxpayer is in compliance, RMCD will issue *Sijil Audit Verifikasi Pematuhan*

Taxpayer

Taxpayers selected or subject to audit by RMCD can request to participate in AViP. Taxpayers not under audit but have underpayment of taxes, duties and/ or levies can also approach RMCD to request to participate in the AViP.

RMCD will issue an eligibility letter (Surat Layak VD), Borang Remisi Penalti AViP (BRP) and Borang Ansuran Bil Tuntutan AViP (BABT)



Audit Finding – Non-compliance

Where taxpayer is not in compliance, RMCD to conduct a round table discussion and a Voluntary Disclosure agreement form will be issued



Supplementary Return / SST Return

In the forms, SST 02, TTx 02, DST 02 and DL 02



Taxpayers self-calculate their under paid duties / taxes for a period of up to 6 years and subsequently voluntarily discloses them



Where taxpayers fail to fulfil the terms & conditions, RMCD will conduct a field audit







Incentives: Penalty Pemission

Category	Amount Paid	Tax Payment Period	Penalty Remission
1	Fully Paid	 Payment made within 6 months From the date of amendment of any return / supplementary return 	100%
2	Fully Paid	 Payment made after 6 months but not more than 12 months From the date of amendment of any return / supplementary return 	50%
3	Fully Paid	 Payment made after 12 months From the date of amendment of any return / supplementary return 	NL







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