



# Tax developments



15 April 2025

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KPMG in Malaysia

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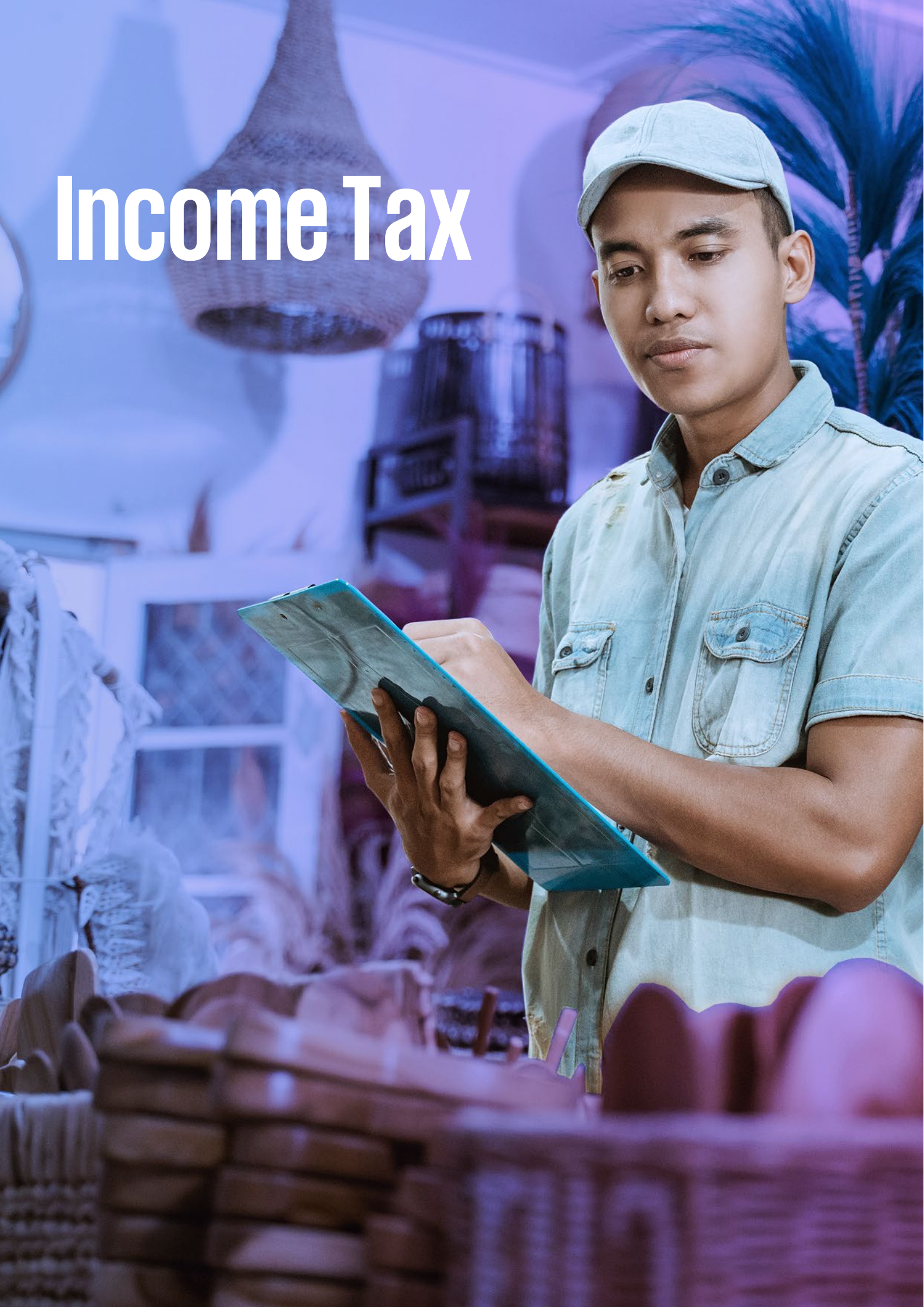
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# Income Tax



# Income Tax

## DTA between Malaysia and Russia

The Double Taxation Relief (the Government of the Russian Federation) Order 2025 was gazetted on 28 March 2025.

Amongst others, the DTA provides for the following preferential withholding tax rates where the relevant conditions are met:

- i. Interest: Nil or 10%
- ii. Royalties: 10%
- iii. Technical services: 10%

The DTA will only enter into force upon ratification by both countries.

Source for the Order: [Federal Legislation Portal of Malaysia](#)

## Practice Note No. 1/2025 – Tax treatment on the acceptance of donations or contributions

The MIRB has issued the above to clarify the tax treatment on the receipt of donations or contributions by any person which includes an institution, organization or fund ("IOF"). Generally, donations or contributions received may be subject to income tax if:

- i. the recipient is engaged in business; or
- ii. the receipts are used to increase revenue and to sustain its business activities.

The salient points for IOFs that are established not primarily for profit but for public interest include:

- i. The donations or contributions received may be subject to tax.
- ii. The expenses incurred specifically for carrying out the IOF's objectives (including charitable donations) are deductible.

Notwithstanding the above, income received by an IOF that is approved under Subsection 44(6) of the MITA is exempted from tax. You may refer to KPMG's Tax Developments dated 12 September 2024 (access from [here](#)) for further details on the guideline on the DGIR's approval under Subsection 44(6) of the MITA.

Source for the Practice Note: Official Portal of [MIRB](#)





# Indirect Tax



# Indirect Tax

## Service Tax Policy 7/2024 (Amendment No.1)

The RMCD has issued **Service Tax Policy 7/2024 (Amendment No.1)** – Service Tax treatment on issuance of virtual credit card dated 14 March 2025. Amendment is made to paragraph 1(a), to remove the requirement to have the same card verification value (CVV) number on both the virtual credit card and the physical credit card, for the virtual credit card to be not subject to Service Tax.

Source for the Service Tax Policy: [Official Portal of RMCD – MySST \(Service Tax Policy\)](#) – available in Malay language only

## Indirect tax legislation updates

The following legislations have been gazetted:

### I. Customs Duties (Goods Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) (Amendment) Order 2025

The Customs (Goods Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) (Amendment) Order 2025 has been gazetted, and came into operation on **15 December 2024**. Amendments are made in the First Schedule, in Annex 3-D, in Section B, in relation to Chapter 87 -

- (a) in column HS Classification (HS2012), by substituting for the words “87.02†<sup>9</sup> - 87.05†<sup>9</sup>” the words “87.02†<sup>9, 9A</sup> - 87.05†<sup>9, 9A</sup>”; and
- (b) by inserting after footnote 9 and the particulars relating to it the following footnote and particulars:
  - “<sup>9A</sup> Except for United Kingdom of Great Britain and Northern Ireland (United Kingdom), the applicable Product-Specific Rules of Origin for the purpose of heading 87.03, are as the following:
    - no change in tariff classification required for a good of heading 87.03, provided there is a regional value content of not less than: (i) 25 per cent under the build-down method; or (ii) 25 per cent under the build-up method.”.

### II. Excise Duties (Exemption) (Amendment) Order 2025

The Excise Duties (Exemption) (Amendment) Order 2025 has been gazetted, and came into operation on **2 April 2025**. Amendments are made in the Schedule, in Part I, in relation to item 41 as follows:

- (a) In column (3) –
  - by inserting after the words “nine years” the words “or within the recommended age group” in subitem (c) and (d); and
  - by substituting for the words “Plain milk powder” the words “Milk powder” in subitem (e).
- (b) In column (4) –
  - by inserting after subitem (f) the following subitem:
    - “(g) the conditions specified in subitems (b), (c) and (d) only apply to the goods exempted in subitems (a), (e) and (f) in column (3)”.

### III. Customs (Amendment) (No.2) Regulations 2025

The Customs (Amendment) (No.2) Regulations 2025 has been gazetted, and came into operation on **26 March 2025**. Amendments are made in the First Schedule, to include additional locations (i.e. Bukit Kayu Hitam ICD in Kedah in Part I, and Sarawak Petchem Jetty, Tanjung Kidurong, Bintulu in Sarawak in Parts I, II and IV).

The Second Schedule is also amended in Part I, to include an additional Customs Port and legal landing place at Sarawak Petchem Jetty, Tanjung Kudorong, Bintulu for methanol and petrochemical products, as well as in Part V, to include an additional inland clearance depot at Delapan, Bukit Kayu Hitam ICD for all goods.

Source for the Orders and Regulations: [Federal Legislation Portal of Malaysia](#)

### RMCD's "Below Threshold Operation"

The RMCD has launched a Below Threshold Operation (BTO) which runs from 19 March 2025 to 2 May 2025 aimed at companies registered under the Sales Tax Act 2018, Service Tax Act 2018 and Tourism Tax Act 2017. This operation aims to increase companies' compliance with submission of returns as well as payment of taxes.

Chosen companies will be contacted via email and phone call from the internal tax division of the respective state RMCD office for document verification. For further information, companies may reach out to the internal tax division of the respective RMCD control station or RMCD's call centre at 1300 888 500.

Source for the announcement: [RMCD's official website](#) – available in Malay language only

# Personal Tax





# Personal Tax

## Expansion of tax exemption on child care allowance

Income tax exemption is granted to an employee on childcare allowance not exceeding RM2,400 per year. Effective from YA 2024, the limit is increased to RM3,000.

The Income Tax (Exemption) Order 2009 (Amendment) Order 2025 has been gazetted to expand the exemption to include care allowance for parents, adoptive parents, or grandparents.

The Amendment Order is effective from YA 2025.

Source for the Order: [Federal Legislation Portal of Malaysia](#)

## Introduction of Investor Pass for Business Travelers

The new Investor Pass which was officially launched on 1 April 2025, is a Pass that provides foreign investors who frequently need to travel to Malaysia for the purposes of seeking business opportunities up to 12 months. The Pass is under the purview of the Malaysian Investment Development Authority ("MIDA") and the Expatriate Services Division ("ESD") of Immigration Department of Malaysia ("IDM"), issues the Pass to eligible foreign business travelers/investors under the following categories :

- i. **New Investor** – Potential investors who have not had any investment record in Malaysia.
- ii. **Investor in Pipeline** – Potential investors who have been identified as interested in making investments in Malaysia, are currently in negotiations with the Malaysian Government, or have applied to MIDA for project approvals.
- iii. **Existing Investor** – Investors who have investment records in Malaysia and SSM-registered companies but are not under the employment of the company or any companies in Malaysia. This Existing Investor category is only available for Manufacturing and Selected Services sectors under MIDA's purview. Sectors governed by other agencies will be available in Phase 2.

Only applications from business owners, founders, directors, shareholders, and individuals holding top management or managerial positions will be considered. The Pass is applicable in Peninsular Malaysia and the Federal Territory of Labuan, excluding Sabah and Sarawak.

The application is applied via Xpats Gateway portal which will be routed to MIDA for evaluation. If MIDA supports, the application will next be routed to ESD for further evaluation and decision. The indicated overall processing time is approximately 5 working days to receive the result.

If approved, the Investor Pass is issued for 6 months for multiple entries, with an option to extend the Pass for an additional 6 months, subject to justification and requirements for the Immigration Authority's consideration.

Sources:

- Media Release and FAQ: Official Portal of [MIDA](#)
- Official Portal of [IDM](#)

# Tax Audit





# Tax Audit

## Tax Audit Framework for Income Tax and Employer

The MIRB has issued the Tax Audit Framework for Income Tax and Employer (only available in the Malay Language) which replaces the Tax Audit Framework dated 1 May 2022, Tax Audit Framework on Finance and Insurance dated 1 May 2022, Tax Audit Framework for Petroleum dated 1 May 2022, Audit Framework for Employer dated 1 October 2021 and Tax Audit Framework on Withholding Tax dated 1 August 2015. The Framework comes into effect on 15 March 2025.

The notable updates to the Framework are as below:-

- The Framework has been updated to combine all audit processes under one document which includes those which relate to capital gains tax.
- Audit activity on Labuan businesses is focused on *substance over form* review. The audit coverage period is up to 3 YAs and the statute of limitation for the offences is up to five YAs. However, this is not limited for cases involving fraud, wilful default or negligence.
- The employer audit coverage period is up to 2 years and the statute of limitation for the offences is up to twelve years after the offence was committed. However, this is not limited for cases involving fraud, wilful default or negligence.
- A comprehensive tax audit review involves:-
  - i. Interview session with regards to business modus operandi which may also be conducted online;
  - ii. Review of capital allowances calculation and contract documents; and
  - iii. Compliance to conditions and eligibility of approved incentive claims.
- The basis for audit case selection includes significant controlled transactions by related companies.
- Commencement of case settlement for General Audit follows the date of Request for Documents and Information Letter.
- Taxpayers have the responsibility to keep records in relation to contracts, agreements and documents pertaining to related companies and third parties. All required documents regarding business transaction in Malaysia must be obtained and submitted to the MIRB even if those documents are held overseas.
- Appeal on tax audit findings will be reviewed and final tax audit findings will be informed via *Surat Pemberitahuan Keputusan Perbincangan*.
- Cases for Withholding Tax Audits have to be settled 90 days (payor) and 180 days (payee) from the commencement of tax audit.

- Voluntary disclosure should be submitted with the following documents:-
  - i. Copy of Income Tax Return Form;
  - ii. Audited accounts / income statements;
  - iii. Incentive information and compliance;
  - iv. Tax computation;
  - v. Complete information on issues related to voluntary disclosure, including ledgers or any related documents; and
  - vi. Other relevant information.

Taxpayer or employer who fail to submit the complete documents and information as outlined without reasonable justification may result in the rejection of the voluntary disclosure, invite a field audit or inquiry letter issued by the MIRB.

- MIRB may reject the appointment of tax agents who fail to surface evidence of tax agent license under subsection 153(3) of the Income Tax Act.
- Failure of tax agent to comply with the Tax Agent Code of Ethics may result in the tax agent's approval being withdrawn, terminated or not renewed.
- The Framework also outlines the offences and penalties under the Labuan Business Activity Tax Act which are effective 1 January 2025.

Source for the Framework: Official Portal of [MIRB](#)



# Insights on Earlier Tax Whiz

Please refer below to our earlier Tax Whiz for more information.

No.	Subject	Date of issue
1	“Reciprocal Tariffs” announced by US on 2 April 2025 – what businesses can do as a start	7 April 2025

The table below sets out the various abbreviations and references used in this publication.

	Reference
DTA	Double Taxation Agreement
ESD	Expatriate Services Division
FAQ	Frequently Asked Question
IDM	Immigration Department of Malaysia
MIRB	Malaysian Inland Revenue Board
MIDA	Malaysian Investment Development Authority
MITA	Malaysian Income Tax Act, 1967
RM	Ringgit Malaysia
RMCD	Royal Malaysian Customs Department
SSM	<i>Suruhanjaya Syarikat Malaysia</i> (Companies Commission of Malaysia)
YA	Year of Assessment

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