



Tax developments



12 February 2026

KPMG in Malaysia

Table of Contents

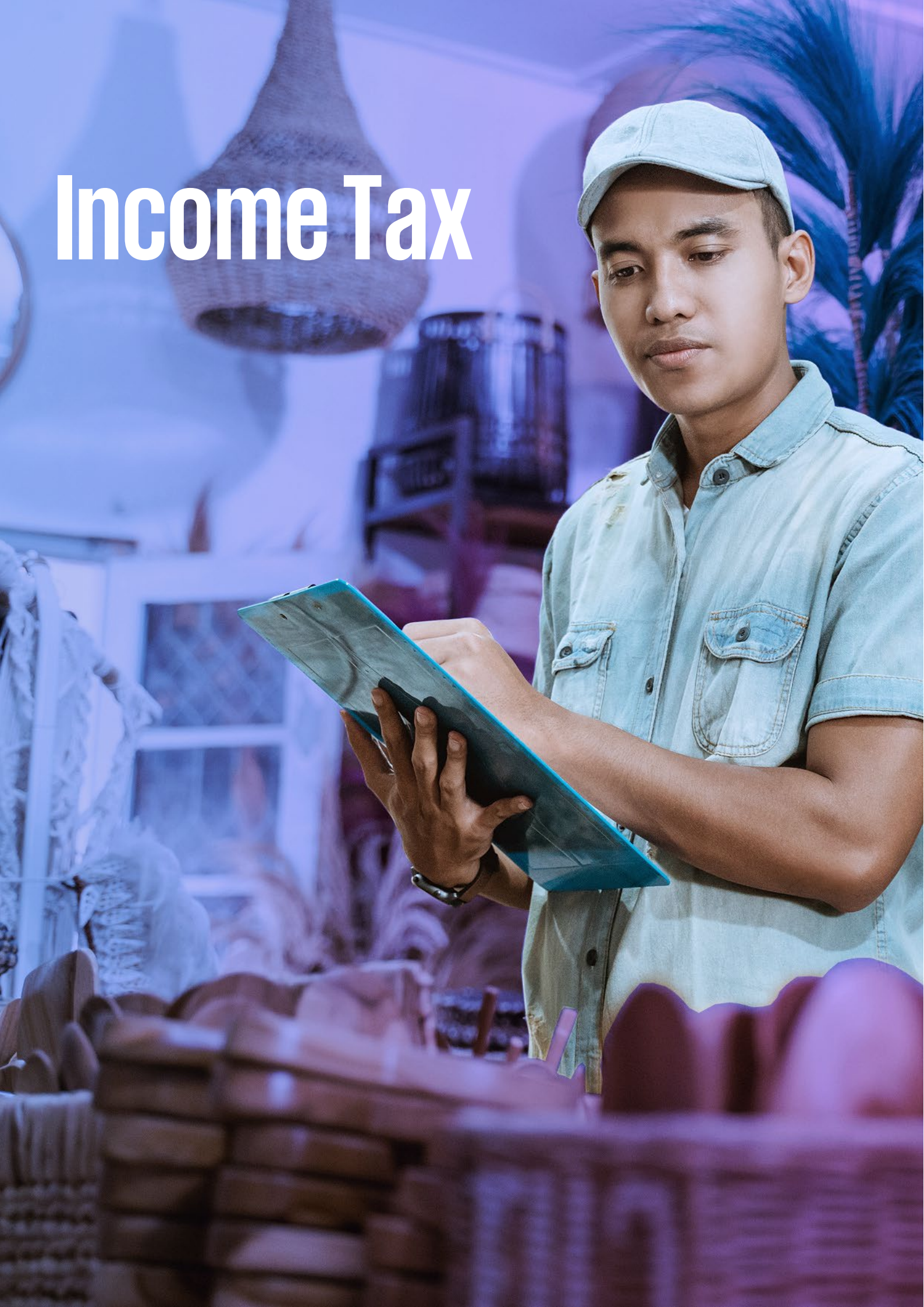
Income Tax

- 1 MIDA's guidelines on tax incentives for new investment in the manufacturing sector under the New Investment Framework
- 2 Filing program for mandatory submission of required information and documents through the MITRS for YA 2026
- 3 GMT in Malaysia
- 4 MOTAC's updated guidelines on tax deduction for sponsorship of arts, cultural and heritage activities
- 5 Income tax exemption for Islamic financial-related Labuan trading activities

Indirect Tax

- 1 Sales Tax Policy 1/2026
- 2 Service Tax Policy
- 3 Indirect tax legislation updates

Income Tax



Income Tax

MIDA's guidelines on tax incentives for new investment in the manufacturing sector under the New Investment Framework ("NIF")

Ahead of the implementation of the NIF in phases from 1 March 2026, MIDA has issued the above guidelines to explain the criteria, the scorecard evaluation tool and the application procedure for the NIF tax incentives for companies undertaking manufacturing activities within the following subsectors:

- Electrical and Electronics (E&E)
- Chemical and chemical products
- Pharmaceuticals
- Medical devices
- Aerospace
- Machinery and equipment
- Automotive
- Petroleum products and petrochemicals
- Oleochemicals and their derivatives
- Food production and processing
- Wood, paper and furniture
- Textile, apparel and footwear
- Strategic minerals-based products
- Rubber-based products
- Metal

You may refer to KPMG's Tax Whiz dated 30 January 2026 (access from [here](#)) for more information.

The NIF offers two primary mutually exclusive tax incentives:

Categories of incentive	Special tax rate	Investment Tax Allowance ("ITA")
New investment	0% to 10% for a period of up to 15 years	ITA of up to 100% to be set off against 70% to 100% of statutory income for up to 15 years
Less Developed Areas	0% to 15% for a period of up to 15 years	
Small companies	3% to 12% for a period of up to 15 years	

Application for the tax incentive shall be submitted to MIDA from 1 March 2026. The relevant statutory order is pending gazettelement.

Source for the Guideline: Official Portal of [MIDA](#)

Filing program for mandatory submission of required information and documents through the MITRS for YA 2026

The MIRB has published the above, which includes the guide notes for MITRS submission by unit trusts / property trusts, co-operative societies, trust bodies and Real Estate Investment Trusts / Property Trust Fund commencing YA 2026.

From YA 2026, insurance companies or takaful operators are required to submit additional documents along with the audited financial statements / unaudited financial statements (whichever relevant):

- **Insurance companies**
Insurance Companies Statistical System and Risk Based Capital
- **Takaful operators**
Takaful Operator Statistical System and Risk Based Capital Takaful

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

GMT in Malaysia

The MIRB has issued guideline and updated FAQs to assist taxpayers in understanding the GMT framework in Malaysia.

1. Guideline on the implementation of DTT in Malaysia

Malaysia has implemented the GMT through two mechanisms, namely DTT and MTT, effective for financial year beginning on or after 1 January 2025 and the subsequent financial years.

The newly issued Guideline provides guidance on the scope and operation of DTT, including computation rules, filing obligations and administrative procedures. The Guideline generally aligns with the OECD's Inclusive Framework.

Several salient points in relation to DTT filing in Malaysia include:

- A DTT return is still required even if a safe harbour applies or no tax liability under DTT is expected.
- All DTT returns must be submitted in Malaysian Ringgit. Where the DTT computation is based on non-Malaysian Ringgit (due to the use of presentation currency of the UPE's consolidated financial statements), the CE's DTT tax liability must be converted into Malaysian Ringgit using the average Bank Negara Malaysia monthly exchange rate for the financial year.

2. Updated FAQs on the implementation of GMT in Malaysia

Among others, the notable updates are:

- The submission of a CbC Report is a pre-requisite for applying the Transitional CbCR Safe Harbour. MNE groups that fails to submit CbC Report will not be eligible for the said Safe Harbour.

- Where a Joint Venture has different financial year end from its UPE, the DTT return of the Joint Venture would be due 15 month (or 18-month transitional) from the financial year end of the UPE.
- Both the Malaysian Financial Reporting Standards (MFRS) and the Malaysian Private Entities Reporting Standards (MPERS) are recognized as Malaysia's local accounting standards. Local financial statements prepared under either standard may be used to determine the FANIL for DTT purposes. This includes unaudited financial statements, provided they are also used for submission to the Companies Commission of Malaysia (SSM) or corporate income tax filing.

In addition, where CEs in Malaysia have a different financial year-end from the UPE due to mergers, acquisitions, or liquidation, the MIRB still permit the use of local financial statements for DTT computation.

The above is subject to all other prescribed conditions in Section 164(2) of the MITA being fully satisfied.

Source for the Guideline and FAQs: Official Portal of [MIRB](#)

MOTAC's updated guidelines on tax deduction for sponsorship of arts, cultural and heritage activities

MOTAC has updated the guidelines on tax deduction for sponsorship of arts, cultural and heritage activities under Paragraph 34(6)(k) of the MITA.

Amongst others, we wish to highlight the following salient updates:

- Clearer definition introduced for "art", "cultural" and "heritage" activities.
- Sponsorship for traditional events of any scale involving sales or tickets held at specified premises certified by MOTAC are eligible for this deduction.
- For a program / activity / event involving foreign artists, the application must be supported with an approval from PUSPAL or the relevant authority.

Interested applicants should be mindful of the submission deadlines to MOTAC:-

Application	Deadline to submit to MOTAC
Letter of Support for the activity(ies)	At least 60 days before the implementation date of the activity
Letter of Approval for tax deduction	Within 90 days from the date the activity ends

Source for the Guideline (only available in the Malay language): Official Portal of [MOTAC](#)

Income tax exemption for Islamic financial-related Labuan trading activities

The Labuan Business Activity Tax (Exemption) Order 2026 was gazetted to provide income tax exemption to a qualifying Labuan entity on income derived from undertaking specified qualifying Labuan takaful business activities and Labuan takaful-related trading activities. The Exemption Order is effective from YA 2025 to YA 2028.

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



Indirect Tax

Indirect Tax

Sales Tax Policy 1/2026

The RMCD has issued Sales Tax Policy 1/2026 in relation to Sales Tax exemption on raw materials used for the manufacture of animal feed, fertilisers or pesticides dated 4 February 2026. The list of raw materials (alongside their corresponding tariff codes) under each category are also appended in the Policy under Appendices I, II, and III respectively.

The Sales Tax Policy sets out that manufacturers who imported or purchased raw materials that qualify for exemption under the Policy may submit an application for refund on the Sales Tax paid to the state RMCD office via JKDM No. 2 Form no later than 30 April 2026, subject to meeting the following conditions:

- i. the importation or purchase of such materials must be made from 1st January 2026 until the amendment to the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 is gazetted;
- ii. the raw materials belong to a category approved by the Secretary General of Treasury as specified in Appendices I, II and III;
- iii. the manufacturer has paid the Sales Tax on the importation or purchase of such raw materials; and
- iv. the manufacturer of animal feed, fertilisers or pesticides shall be licensed under the Department of Veterinary Services or the Pesticides and Fertilisers Control Division, Department of Agriculture.

The above Policy takes effect retrospectively from **1 January 2026**.

Source for the Sales Tax Policy: [RMCD - MySST \(Sales Tax Policy\)](#)

Service Tax Policy

The RMCD has issued the following Service Tax Policy Amendments:

- Service Tax Policy 3/2025 (Amendment No. 3) in relation to Construction Works Services dated 30 January 2026 – available in Malay language only.

Amongst others, item 3 of the Service Tax Policy has been amended to extend the period of Service Tax exemption under non-reviewable contracts to 30 June 2027 (previously 30 June 2026). Meanwhile, items 7 and 8 have been rephrased.

- Service Tax Policy 2/2025 (Amendment No. 4) in relation to Rental or Leasing Services dated 6 February 2026 – available in Malay language only.

Subsequent to the reduction of Service Tax rate from 8% to 6% on rental or leasing services effective from 1 January 2026, the mechanism to apply for refund of the 2% Service Tax exempted has been released. Service providers who has overpaid the Service Tax to RMCD are allowed to apply for a refund by submitting the following documents to the Customs controlling station:

- a) Official application letter;
- b) JKDM No. 2 Form;
- c) SST listing for the applicable taxable period;
- d) Copy of the rental agreement or relevant documents to prove that the rental or leasing services happened on or after 1 January 2026;

- e) Invoice by the service provider to the recipient including the amount of Service Tax payable by the service recipient;
- f) Documentary proof of refund of the Service Tax to the customer or tenant. Example – proof of payment document, credit note and other relevant documents; and
- g) Other business documents that can prove that the service recipient has overpaid the Service Tax (if required).

Source for the Service Tax Policy: [RMCD - MySST \(Service Tax Policy\)](#)

Indirect tax legislation updates

Further to the gazettment of the Customs Duties Order 2025, the following legislation has been gazetted and came into operation on 15 January 2026:

- i. **Customs Duties (Goods under the Framework Agreement on Comprehensive Economic Co-operation Between ASEAN and China) (Amendment) Order 2026**
- ii. **Customs (Anti-Dumping Duties) Order 2023 (Amendment) Order 2026**
- iii. **Customs (Anti-Dumping Duties) (Administrative Review) Order 2023 (Amendment) Order 2026**
- iv. **Customs (Anti-Dumping Duties) Order 2025 (Amendment) Order 2026**
- v. **Customs (Anti-Dumping Duties) (No.2) Order 2025 (Amendment) Order 2026**
- vi. **Customs (Anti-Dumping Duties) (Administrative Review) Order 2025 (Amendment) Order 2026**
- vii. **Customs (Anti-Dumping Duties) Order 2026**
- viii. **Customs (Anti-Dumping Duties) (No.2) Order 2026**
- ix. **Customs (Anti-Dumping Duties) (Administrative Review) Order 2026**
- x. **Customs (Anti-Dumping Duties) (Administrative Review) (No.2) Order 2026**
- xi. **Customs (Prohibition of Imports) (Amendment) (No.2) Order 2026**

Separately, the following legislation has also been gazetted and came into operation on 1 February 2026:

- xii. **Customs Duties (Goods Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) Order 2026**
- xiii. **Excise (Payment of Excise Duties for Motor Vehicles) Order 2026**

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

Insights on Earlier Tax Whiz

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

No.	Subject	Date of issue
1	Amendment to Service Tax Policy 2/2025	26 January 2026
2	2% Service Tax exemption on Rental or Leasing services - Procedures for issuing invoices and SST-02 Returns reporting requirements	29 January 2026
3	Guidelines and FAQs on Special Voluntary Disclosure Programme for Stamp Duty and New Incentive Framework	30 January 2026

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

	Reference
CbC Report	Country-by-Country Report
CE	Constituent Entity
DTT	Domestic Top-up Tax
FANIL	Financial Accounting Net Income or Loss
FAQs	Frequently asked questions
GMT	Global Minimum Tax
ITA	Investment Tax Allowance
MIDA	Malaysian Investment Development Authority
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
MITRS	Malaysian Income Tax Reporting System
MNE	Multinational Enterprise
MOTAC	Ministry of Tourism, Arts and Culture
MTT	Multinational Top-up Tax
NIF	New Investment Framework
OECD	Organisation for Economic Co-operation and Development
PUSPAL	Unit for Application for Foreign Filming and Performance by Foreign Artiste (<i>Unit Permohonan Penggambaran Filem Asing dan Persembahan Artis Luar Negara</i>)
RMCD	Royal Malaysian Customs Department
UPE	Ultimate Parent Entity
YA	Year of assessment

Contact Us

Petaling Jaya Office

Soh Lian Seng

Partner – Head of Tax and Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Tai Lai Kok

Partner – Head of International & Domestic Tax Advisory
ltai1@kpmg.com.my
+603 7721 7020

Bob Kee

Partner – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Neoh Beng Guan

Partner – Head of Corporate Tax
bneoh@kpmg.com.my
+603 7721 7025

Long Yen Ping

Partner – Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Ng Sue Lynn

Partner – Head of Indirect Tax
suelynnng@kpmg.com.my
+603 7721 7271

Outstation Offices

Penang Office

Poh Sin Yue

Partner
sypoh@kpmg.com.my
+603 7721 7285

Kota Kinabalu Office

Caroline Chong

Director
carolinechong@kpmg.com.my
+603 7721 2818

Ipoh Office

Crystal Chuah Yoke Chin

Associate Director
ycchuah@kpmg.com.my
+603 7721 2714

Kuching & Miri Offices

Regina Lau

Partner
reglau@kpmg.com.my
+603 7721 2188

Kuching Office

Chan Wing Hong

Executive Director
whchan@kpmg.com.my
+603 7721 7424

Johor Office

Ng Fie Lih

Partner
flng@kpmg.com.my
+603 7721 2514

KPMG Offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +603 7721 3388
Fax: +604 238 2299
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +603 7721 3388
Fax: +6082 530 669
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +603 7721 3388
Fax: +6085 321 962
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +603 7721 3388
Fax: +6088 363 022
Email: info@kpmg.com.my

Johor

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +603 7721 3388
Fax: +607 266 2214
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +603 7721 3388
Email: info@kpmg.com.my

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



www.kpmg.com.my/Tax

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.