Tax developments

12 November 2025

KPMG in Malaysia

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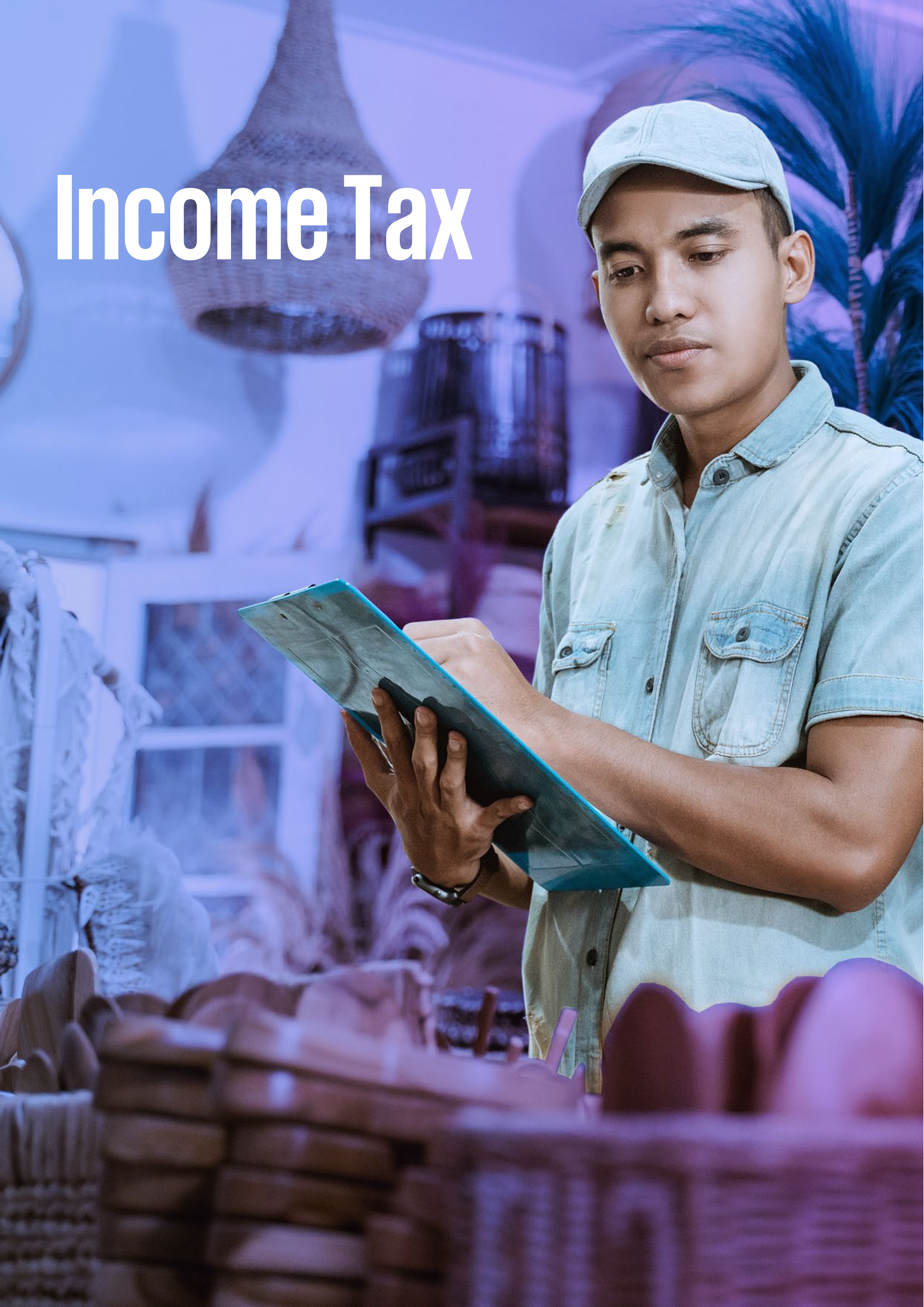


Income Tax

Updated guideline on DGIR's approval under Subsection 44(6) for institutions / organizations / funds ("IOF")

The MIRB has issued the above updated guideline and the appendices for the application of Subsection 44(6) status.

Amongst others, the notable points are as follows:

- A fund established by an institution / organization is treated as a separate entity and cannot be used for the institution / organization's corporate social responsibility activities.
- Recipients of the IOF's services or benefits are now expanded to include non-Malaysians who are affected and in distress within Malaysia, provided that prior approval has been obtained from the DGIR.
- For an IOF that imposes fees or charges on services or benefits provided, such fees must be at least 20% below prevailing market rates and are subject to the submission of a comprehensive Financial Assistance Policy for approval by the DGIR.
- Administrative and operational staff salaries (previously unreasonable staff salaries) are not considered objective-related expenditures for the purpose of meeting the 50% spending requirement. However, salaries or wage payments to educators for educational / learning programs for students from underprivileged groups are allowed as objective-related expenditures.

Source for the Guideline (only available in the Malay Language): Official Portal of MIRB

MOF's guidelines on application for tax deduction under Subsection 34(6)(h) and Subsection 34(6)(ha) of the MITA

Effective 1 April 2025, application for the eligible projects and contribution verifications for purposes of special tax deduction under Subsection 34(6)(h) and Subsection 34(6)(ha) shall be submitted to the following authorizing bodies based on the contribution amount:

Contribution Amount	Body to Approve the Project	Body to Verify the Amount of Contribution
RM300,000 and below	Relevant Government Authority ("RGA")	
Exceeding RM300,000	Minister of Finance	RGA

The MOF has updated the above guidelines to incorporate the latest approval mechanism, application procedure and examples of RGAs. The guidelines are effective for applications from 15 September 2025.

Source for the Guidelines (only available in the Malay Language): Official Portal of MOF

Public Ruling No. 3/2025 – Tax treatment on asset-backed securitization

The MIRB has released the above to explain and clarify the tax treatment under the Income Tax (Asset-Backed Securitization) Regulations 2014, specifically for Special Purpose Vehicles established solely for the issuance of bonds or asset-backed sukuk, and related Originators.

Source for the Public Ruling: Official Portal of MIRB

Labuan's substantial requirements for fit and proper full time employees

Effective from 1 January 2025, a Labuan entity is required to satisfy with the new substantial requirement of employing fit and proper full time employees.

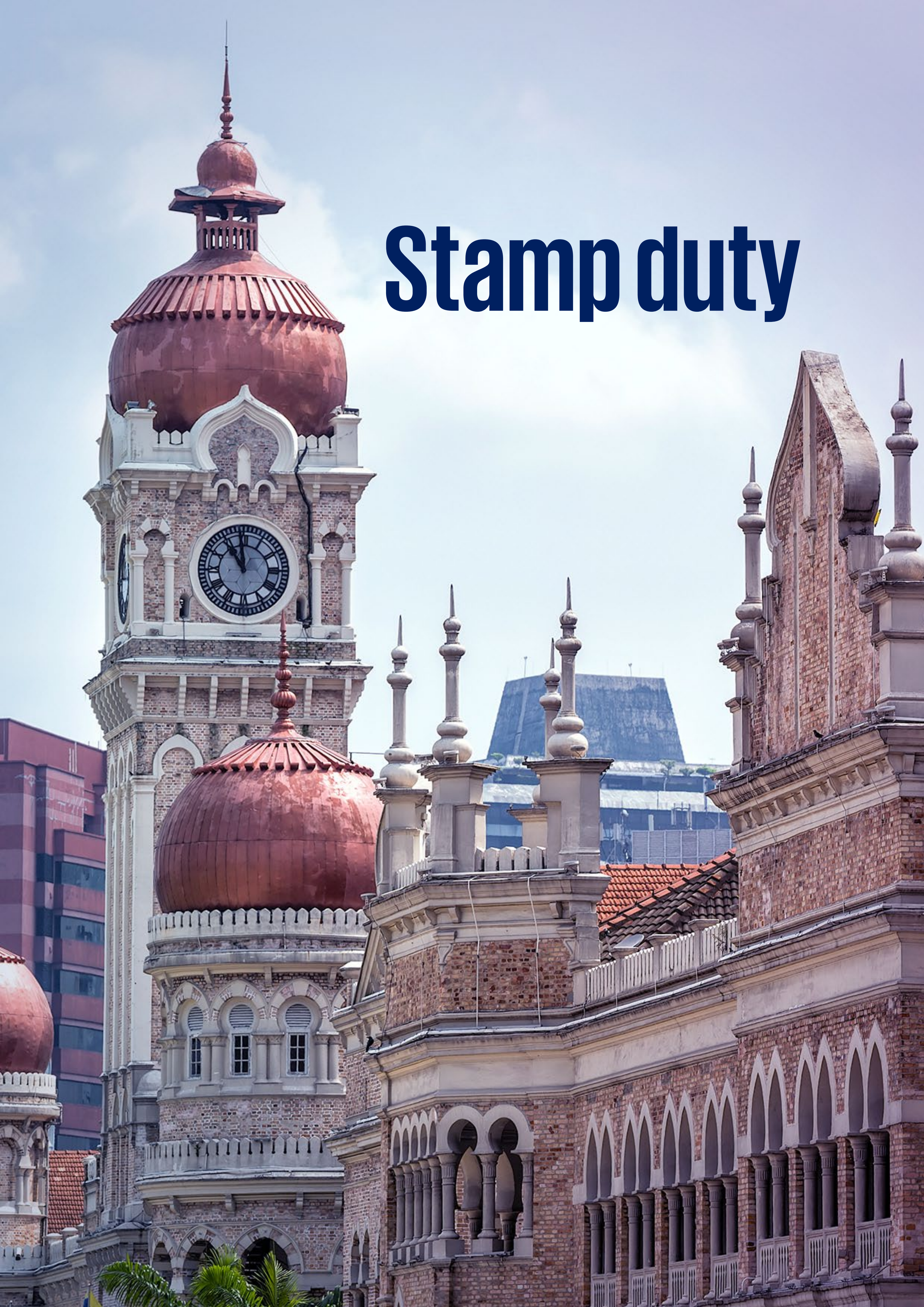
The Labuan Business Activity Tax (Requirements for Labuan Business Activity) (Amendment) Regulations 2025 and the Labuan Business Activity Tax (Requirements for Labuan International Commodity Trading Company) (Amendment) Regulations 2025 have been gazetted to prescribe the conditions of such employees.

In support of these amendments, the MIRB has released the Guidelines on Substance Requirements for Fit and Proper Full-Time Employees of Labuan Entities, which further clarify the criteria for determining whether an employee meets the "fit and proper" standard. We wish to highlight the following salient points from the Guidelines:

- Relevance of work: The work performed by the full-time employee must be relevant to the Labuan business activity carried out by the Labuan entity. Employees performing general duties such as receptionist, despatch clerk, office cleaner and tea lady do not meet the criteria.
- Employment status: Outsourced employees that have no contract of service with the Labuan entity do not fulfill the criteria.

Source for the Regulations: Federal Legislation Portal of Malaysia
Source for the Guideline: Official Portal of MIRB

Stamp duty



Stamp Duty

MIRB's new stamp duty guidelines

The MIRB has released the following guidelines:

- Guidelines on the introduction of stamp duty under the Stamp Act 1949; and
- Guidelines on the imposition of stamp duty on loan or financing instruments for the purchase of goods listed under the First Schedule of the Hire Purchase Act 1967.

The guidelines explain the general stamp duty framework under the Stamp Act 1949 and the chargeable duty for loan/financing agreements for the purchase of goods.

The issuance of the guidelines is much welcomed as it provides duty payers with greater clarity and practical direction to navigate the Stamp Duty Self-Assessment System, which will be implemented in phases from 1 January 2026. We anticipate that more guidelines will be issued in the near future to further facilitate compliance among duty payers.

Source for the Guidelines (only available in the Malay Language): Official Portal of MIRB

Indirect Tax

Indirect Tax

Sales Tax Policy

The RMCD has issued the following Sales Tax Policies:

- Sales Tax Policy 1/2025 – Sales Tax Exemption on Motorcycles dated 27 September 2025
- Sales Tax Policy 2/2025 – Sales Tax Exemption on the Importation of Soya Beans dated 27 September 2025
- Sales Tax Policy 3/2025 – Sales Tax Exemption on Raw Materials, Components, Packing and Packaging Materials, Manufacturing Aids, and Cleanroom Equipment dated 29 September 2025

Please click here and here for a copy of our earlier Tax Whiz for details.

Separately, the RMCD has also issued the following Sales Tax Policy and Sales Tax Policy Amendment:

- Sales Tax Policy 4/2025 – Sales Tax Exemption on Machinery, Equipment, and Spare Parts under Item 55, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 dated 10 October 2025.

The Sales Tax Policy sets out that manufacturers who imported or purchased machinery, equipment and spare parts to manufacture finished goods may submit an application for refund on the Sales Tax paid to the state RMCD office via form JKDM No. 2 Form no later than 30 November 2025, subject to meeting the following conditions:

i. the importation or purchase must be made from 1 July 2025 to 26 September 2025;

ii. the goods belong to a category approved by the Secretary General of Treasury as specified in the Guide on Sales Tax Exemption Under Item 33A, 33B, 55, 63, & 65, Schedule A, Sales Tax (Person Exempted from Payment of Tax) Order 2018 - Appendix 1;

iii. the manufacturer must obtain a confirmation letter issued by MIDA; and

iv. the manufacturer has paid the Sales Tax.

- Sales Tax Policy 1/2025 (Amendment No.1) – Sales Tax Exemption on Motorcycles dated 27 October 2025

Amendment is made to the effective date of the Sales Tax exemption, which is now effective 1 July 2025 (previously effective 27 September 2025).

Source for the Sales Tax Policy: RMCD - MySST (Sales Tax Policy)

Service Tax Policy

The RMCD has issued the following Service Tax Policy Amendments and Service Tax Policies:

- Service Tax Policy 1/2025 (Amendment No.3) – Financial Services dated 17 October 2025
- Service Tax Policy 2/2025 (Amendment No.2) – Rental or Leasing Services dated 17 October 2025
- Service Tax Policy 3/2025 (Amendment No.1) – Construction Works Services dated 17 October 2025
- Service Tax Policy 4/2025 (Amendment No.2) – Education Services dated 17 October 2025
- Service Tax Policy 5/2025 (Amendment No.2) – Private Healthcare Services dated 23 October 2025
- Service Tax Policy 6/2025 – Private Healthcare Services dated 23 October 2025
- Service Tax Policy 7/2025 – Construction Works Services dated 24 October 2025

Please click here and here for a copy of our earlier Tax Whiz for details.

Separately, the RMCD has also recently issued the following Service Tax Policy Amendment and Service Tax Policy:

- Service Tax Policy 6/2024 (Amendment No.2) – Exemption from payment and the imposition of Service Tax on maintenance or repair services for MRO activities dated 7 November 2025 (only available in Malay language)

Amendment is made in paragraph 3(d), whereby the condition is replaced with “Foreign companies that receive MRO activity services in Malaysia for MRO activities provided in relation to foreign going ship/ aircraft that will leave Malaysia”.

The above amendment takes effect retrospectively from **1 September 2025**.

- Service Tax Policy 8/2025 – Rental or Leasing Services dated 7 November 2025

The Service Tax Policy sets out the Service Tax treatment on rental or leasing services in respect of tangible assets located in Malaysia and outside Malaysia as follows:

Location	Measured from baselines accordance to the method prescribed under the United Nations Convention on the Law of the Sea 1982 (UNCLOS)	Service Tax
In Malaysia	Not exceeding 12 nautical miles	Subject to Service Tax
Outside Malaysia	Exceeding 12 nautical miles	Not subject to Service Tax

Note that the Service Tax Policy 8/2025 takes effect retrospectively from **1 July 2025**.

Source for the Service Tax Policy: RMCD - MySST (Service Tax Policy)

Sales Tax and Service Tax guides

1) The RMCD has issued a revised guide on Sales Tax Exemption under Item 33A, 33B, 55, 63, 64 & 65, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 dated 26 September 2025.

   Please click here and for a copy of our earlier Tax Whiz for details.

2) The RMCD has also issued a revised Service Tax guide on Financial Services (Version: 2) dated 24 October 2025 in line with the expansion of scope of Service Tax.

Source for the Guides: RMCD – MySST (SST Guides)

Indirect tax legislation updates

In line with the recent proposals announced in the 2026 Budget announcement and issuance of the Sales Tax Policies by RMCD, the following legislations have been gazetted and have came into operation on **1 November 2025**:

I. Customs Duties Order 2025

II. Customs Duties (Labuan) Order 2025

III. Customs Duties (Tioman) Order 2025

IV. Customs Duties (Pangkor) Order 2025

V. Customs Duties (Langkawi) Order 2025

VI. Excise Duties Order 2025

VII. Excise Duties (Labuan) Order 2025

VIII. Excise Duties (Tioman) Order 2025

IX. Excise Duties (Pangkor) Order 2025

X. Excise Duties (Langkawi) Order 2025

XI. Excise Duties (Payment of Premix Preparation) (Amendment) Order 2025

XII. Excise (Exemption from Licensing) (Amendment) Order 2025

XIII. Customs (Prohibition of Exports) (Amendment) Order 2025

XIV. Customs (Prohibition of Imports) (Amendment) (No.3) Order 2025

XV. Sales Tax (Rate of Sales Tax) (Amendment) (No.2) Order 2025

XVI. Sales Tax (Goods Exempted from Sales Tax) (Amendment) (No.2) Order 2025

Separately, the following legislation has also been gazetted:

XVII. Customs (Anti-Dumping Duties) (No.3) Order 2025

The Customs (Anti-Dumping Duties) (No.3) Order 2025 has been gazetted, and is effective for the periods from 1 November 2025 to 31 October 2030.

The Order sets out in the Schedule that anti-dumping duties shall be levied on and paid by the importers in respect of the goods under various HS Codes with the description of goods – Flat-rolled products of iron alloy or non-alloy steel, plated or coated with zinc, using hot dip process (galvanised iron coils/sheets or galvanised steel coils/sheets) from The People's Republic of China, The Republic of Korea and The Socialist Republic of Viet Nam with the rate of duties ranging from 2.21% to 57.90%.

With the above, the Customs (Provisional Anti-Dumping Duties) (No. 3) Order 2025 is revoked.

Source for the legislations: Federal Legislation Portal of Malaysia

Individual Tax

Individual Tax

Operational Guideline No. 2/2024 (Updated) – application procedure for tax clearance letter for individuals

The MIRB updated the above on 1 November 2025 (only available in the Malay Language).

The notable points are as follows:-

i. Based on previous guideline, notification of Form CP22A/ CP22B is not required for employees if they fall under the following situations:-

   - The employees' income is not chargeable to tax; or

   - Malaysian employees whose monthly income is below the Monthly Tax Deduction ("MTD") threshold or above the MTD threshold and MTD has been made.

   In both situation, they do not receive any gratuity/compensation upon cessation of employment.

   This guideline has now been extended to include non-Malaysian citizens employees who continues employment in Malaysia.

ii. The following amendments have been made to the e-Form CP21 :-

   - An additional field has been added to indicate the employee's residence status for the year in which the employee is leaving Malaysia.

   - The following supporting documents to be retained by employer instead of uploading into the e-SPC portal

   • Copy of passport certified by the employer (all pages)
   • Schedule of arrival and departure from Malaysia
   • Declaration form to be signed by the employee confirming the residence status for the year in which the employee is leaving Malaysia and the documents as mentioned above have been given to the employer.

   The employers are only required to submit them if requested by MIRB.

iii. Based on previous guideline, submission of Revised or Additional Form CP22A/CP21 can be made via email or online customer feedback form or to the MIRB office. It is now mandatory to submit the forms online through the MyTax portal using e-SPC application.

Source for the Operational Guidelines: 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	Sales Tax Policies and Revised Guide on Sales Tax Exemption	30 September 2025
2	Sales Tax Policy 3/2025 – Exemption on Raw Materials, Components, etc	2 October 2025
3	Amendments to Service Tax Policies	21 October 2025
4	Service Tax Policies	27 October 2025

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

	Reference
DGIR	Director General of Inland Revenue
IOF	Institution, organization or fund
MIDA	Malaysian Investment Development Authority
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
MOF	Ministry of Finance
MTD	Monthly Tax Deduction
RMCD	Royal Malaysian Customs Department

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