



Tax developments



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KPMG in Malaysia

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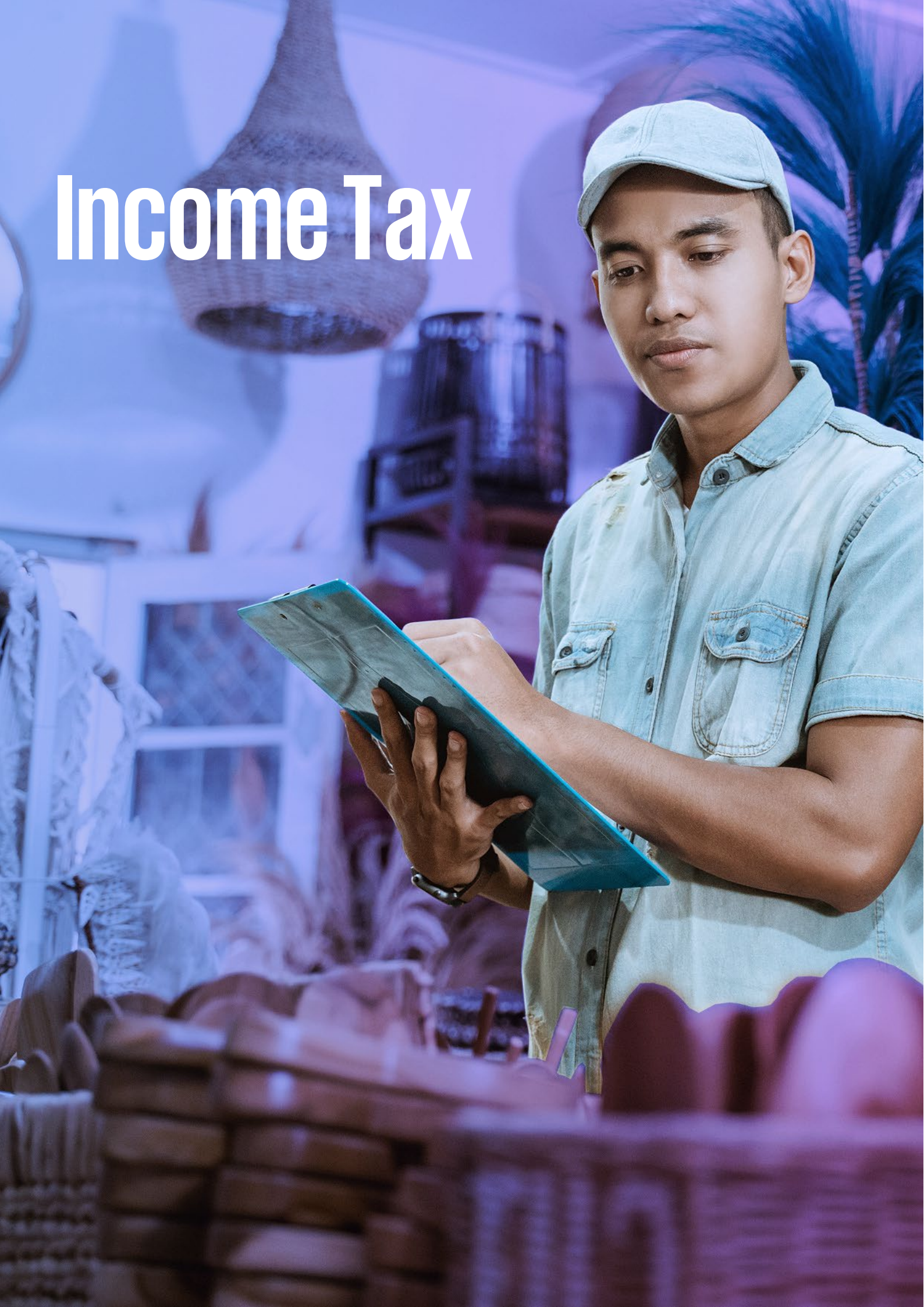
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Income Tax



Income Tax

Extension of deduction for SRI sukuk

Previously, tax deduction was given on the cost of issuance of SRI sukuk approved, authorised or lodged with the SC from YA 2016 to YA 2023.

To further promote the issuance of SRI sukuk that achieve green, social and sustainable standards, the Income Tax (Sustainable and Responsible Investment Sukuk) Rules 2025 were gazetted to provide a tax deduction in arriving at the adjusted income of a resident company incorporated under the Companies Act 2016 or Labuan Companies Act 1990 on the cost of issuing or offering an SRI sukuk that is:

- Approved / authorized by / lodged with the SC,
- Issued / offered to an investor in compliance with the SC's sukuk guidelines, and
- 90% of the proceeds raised from the issuance or offering of the SRI sukuk is used solely for funding an SRI project specified in the SC's sukuk guidelines.

External review expenditure financed by a grant that is tax exempted pursuant to Section 127(3A) of the MITA shall be excluded for the said deduction.

The Rules have effect from YA 2024 to YA 2027.

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



State of Kelantan Special Incentive Scheme

The following Rules have been gazetted to legislate the Ministry of Finance's announcement for special tax incentives to drive investment in the state of Kelantan:

Gazetted Rules	Tax incentive
Income Tax (State of Kelantan Special Incentive Scheme) Rules 2025	<p>Preferential income tax rates on the chargeable income (excluding income from intellectual property rights) of an approved qualifying person which carries on qualifying activity under the Scheme, subject to conditions:-</p> <ul style="list-style-type: none"> • 0% for the first 15 YAs • 17% for the subsequent 5 YAs

The qualifying period can be further extended by another 5 YAs, subject to application and conditions.

Income Tax (State of Kelantan Special Incentive Scheme) (C-Suite Executive) Rules 2025

Preferential income tax rate of 15% for 5 consecutive YAs on the prescribed chargeable income for an approved resident individual holding C-Suite position under the Scheme, subject to conditions.

The incentive is limited to 5 qualifying individuals employed by an approved qualifying person.

The tax incentives are applicable for applications made through the East Coast Economic Region Development Council from 1 August 2021 to 31 December 2024 and approved by the Minister of Finance.

The Rules are deemed to have effect from YA 2021.

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



Indirect Tax

Indirect Tax

Service Tax Policy 1/2025 (Amendment No. 1)

The RMCD has issued Service Tax Policy 1/2025 (Amendment No. 1) in relation to Financial Services dated 30 July 2025 (published on 28 August 2025). One of the main amendments made in the updated Policy is the list of financial services subject to Service Tax starting from 1 July 2025 in Appendix A, specifically “Corporate Banking Services or similar services” replaces “Corporate Banking Advisory Services or similar services”.

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

Public Ruling 1/2025

The RMCD has issued Public Ruling 1/2025 dated 18 August 2025 in relation to the forms, returns, application and payment methods under the Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018 which came into operation on **30 December 2024**.

Amongst others, the relevant/ applicable forms are listed in Appendices 1, 2 and 3 for Tourism Tax, Sales Tax and Service Tax respectively.

For more details, please click [here](#) for the Public Ruling (available in Malay language only).

Source for the announcement: [Official Portal of RMCD - MySST \(Public Rulings\)](#)

Sales Tax and Service Tax guides

- 1) The RMCD has issued a revised Service Tax guide on Group C, D and E dated 4 September 2025 (available in Malay language only) in line with the expansion of scope of Service Tax.
- 2) The RMCD has also issued a revised System guide for Sales Tax and Service Tax - User Manual for Online Return and Payment Module (Expansion Scope of MySST) published on 3 September 2025 in line with the expansion of scope of Sales Tax and Service Tax.

Source for the Guides: [RMCD – MySST \(SST Guides\)](#)

Indirect tax legislation updates

The following legislations have been gazetted:

I. Customs Duties (Exemption) (Amendment) (No. 3) Order 2025

The Customs Duties (Exemption) (Amendment) (No. 3) Order 2025 has been gazetted, and came into operation on **20 August 2025**. Amendment is made in the Schedule, in Part I of the principal order, in relation to item 67, in column (2), in subitem (v), by substituting for the words “JX Nippon Oil & Gas Exploration (Malaysia) Limited” the words “ENEOS Xplora Malaysia Limited (formerly known as JX Nippon Oil & Gas Exploration (Malaysia) Limited)”.

II. Customs (Amendment) (No. 4) Regulations 2025

The Customs (Amendment) (No. 4) Regulations 2025 has been gazetted, and came into operation on **1 September 2025**. Amendments are made in the First Schedule of the principal Regulations, in Parts I and II, in relation to location for Johor, by substituting for the words “Petrochemical and Maritime Industrial Hub, Tanjung Bin, Pontian” the words “Tanjung Bin Industrial Hub”.

The Second Schedule of the principal Regulations are also amended, in Part I, in relation to customs port for Johor, by substituting for item Jetty of Petrochemical and Maritime Industrial Hub, Tanjung Bin, Pontian and the particulars relating to it the following item and particulars:

Customs Port	Description of goods	Legal landing place	
Jetty of Tanjung Bin Industrial Hub	All goods	Tanjung Bin Industrial Hub located at—	
		Latitude	Longitude
		1°22'06"N	103°32'15"E
		1°21'02"N	103°32'33"E
		1°20'44"N	103°32'37"E
		1°20'27"N	103°32'44"E

III. Customs Duties (Duty-Free Area at Pengkalan Kubor) Order 2025

The Customs Duties (Duty-Free Area at Pengkalan Kubor) Order 2025 has been gazetted, and came into operation on **2 September 2025**. The Order prescribes the rate of customs duties which shall be levied is fixed at ten per cent ad valorem on all goods (excluding alcoholic beverages, spirits, tobacco and cigarettes) exported from the Duty-Free Area at Pengkalan Kubor and imported into the principal customs area, either on any person or with any person including in the baggage of the person and the goods are not for commercial use.

The Customs Duties (Pengkalan Kubor Duty Free Area) Order 1989 has since been revoked.

IV. Customs Duties (Goods under the Malaysia-United Arab Emirates Comprehensive Economic Partnership Agreement) (Amendment) Order 2025

The Customs Duties (Goods under the Malaysia-United Arab Emirates Comprehensive Economic Partnership Agreement) (Amendment) Order 2025 has been gazetted, and came into operation on **1 September 2025**. Amendment is made to the commencement date of the principal order from 1 September 2025 to 1 October 2025.

V. Customs Duties (Exemption) (Amendment) (No. 4) Order 2025

The Customs Duties (Exemption) (Amendment) (No. 4) Order 2025 has been gazetted, and came into operation on **1 September 2025**. Amendment is made in the Schedule, in Part I of the principal order, in relation to item 14A, in column (4), by inserting a new subitem (iv), “that the goods referred to in column (3) may remain in Malaysia for a period not exceeding five days from the time of arrival at any entry point or within such further period as the Director General of Land Public Transport may allow”.

VI. Sales Tax (Persons Exempted From Payment Of Tax) (Amendment) Order 2025

The Sales Tax (Persons Exempted From Payment Of Tax) (Amendment) Order 2025 has been gazetted, and came into operation on **1 September 2025**. Amendments are made in Schedule A of the principal order by inserting after item 16A and the particulars relating to it the following item and particulars:

(1) Item No.	(2) Persons	(3) Goods Exempted	(4) Conditions	(5) Certificate to be signed by
16B.	The driver	(i) Motor vehicle for the transport of goods under heading 87.04 of the Customs Duties Order 2022 [P.U. (A) 114/2022]; and (ii) fuel supply, lubricating oil, maintenance supplies and spare parts for the use of the motor vehicle	(i) That the motor vehicle has a valid ASEAN goods vehicle cross-border permit issued by the relevant authority of any ASEAN member country; (ii) that the fuel supply is contained within the supply tank of the motor vehicle; (iii) that the goods referred to in column (3) may remain in Malaysia for a period not exceeding five days from the time of arrival at any entry point or within such further period as the Director General of Land Public Transport may allow; (iv) that the person approved in column (2) shall comply with any public ruling issued by the Director General	Certificate not required

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

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

	Reference
MITA	Malaysian Income Tax Act, 1967
RMCD	Royal Malaysian Customs Department
SC	Securities Commission
SRI	Sustainable and Responsible Investment
YA	Year of assessment

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