



# Tax developments



16 April 2026

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KPMG in Malaysia

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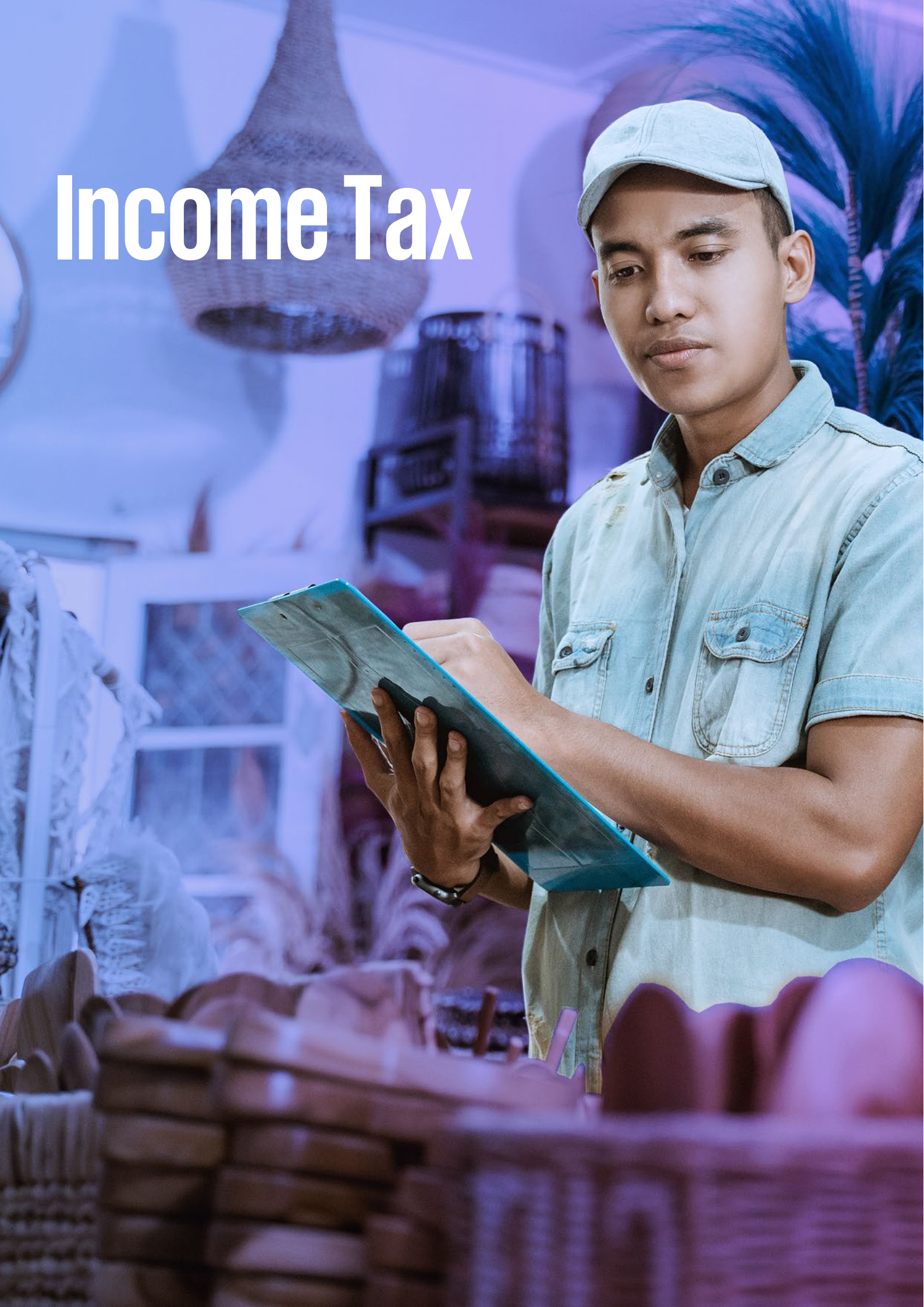
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# Income Tax



# Income Tax

## Accelerated capital allowance for the implementation of e-Invoice

Currently, capital allowance is granted on development cost for customized computer software, whereas accelerated capital allowance is available on purchases of qualifying ICT equipment. Effective from YA 2024, qualifying expenses are given initial allowance at 40% and annual allowance at 20%, allowing full claim of capital allowance within 3 years. You may refer to KPMG's Tax Developments update dated 14 November 2024 (access from [here](#)) for more details.

To encourage taxpayers to fully implement e-Invoicing, it was proposed that accelerated capital allowance be given on specific expenses related to e-Invoicing at an initial allowance rate of 20% and annual allowance rate of 40%, further accelerating the period for full claim of capital allowance to 2 years.

The following Rules have been gazetted to legislate the proposal:-

Accelerated Capital Allowance Rules	Qualifying expenditure for the implementation of e-Invoice
Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoice) Rules 2026	Purchase of any ICT equipment (as specified), including the installation of the ICT equipment
Income Tax (Accelerated Capital Allowance) (Development Cost for Customized Computer Software for the Implementation of Electronic Invoice) Rules 2026	Any consultation fee, payment for rights of software ownership and incidental fee relating to customized computer software development

Amongst the qualifying conditions, taxpayers must have adhered to the statutory timeline on e-Invoicing implementation, i.e. have not availed themselves of the interim relaxation period granted from the date of mandatory implementation.

Both Rules have effect from YA 2024 to YA 2027.

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

## Practice Note No. 2/2026 – Explanation of tax treatment for unit holders of REIT or PTF for YA 2026 and subsequent YAs

The concessionary 10% WHT rate on distributions by REITs and PTFs to unit holders in categories other than companies (resident and non-resident) was given up to YA 2025 while non-resident companies continue to be subject to a final WHT at the rate of 24% on gross distributions.

The MIRB has issued the above Practice Note to clarify the tax treatment for unit holders who receive income distributions from a REIT or PTF in Malaysia for YA 2026 and subsequent YAs. Unit holders who are affected by the expiry of the concessionary 10% WHT rate, i.e. foreign institutional investors and unit holders other than companies, are therefore required to report the said income in their annual income tax return and be subject to prevailing income tax rate depending on their tax profile.

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

## Income Tax (Labuan Company) Exemption Order 2026

Section 39(1)(r) of the MITA restricts the deductibility of payments made by a resident person to any Labuan entity (as defined). The amount disallowed for deduction is prescribed under the Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 and its 2020 Amendment Rules:-

Type of payment to a Labuan entity	Amount not allowed as a deduction
Interest payment	25% of the amount paid (including payment in connection with financing in respect of commission, facility fee and advance fee)
Lease rental	25% of the amount paid
Other payments	97% of the amount paid

Thus, where Section 39(1)(r) applies, only 75% of interest and lease rental payments, and 3% of other payments, are deductible for income tax purposes.

The Income Tax (Exemption) (No. 11) Order 2021 was gazetted to exempt payments made by a Malaysian resident to specific Labuan entities from the application of the Section 39(1)(r) restriction – amongst others, payments made by a Malaysian resident to a Labuan company undertaking a qualifying activity under the Global Incentives for Trading (“GIFT”) program, i.e. Labuan International Commodity Trading companies, effective from YA 2019 to YA 2025.

The Income Tax (Labuan Company) (Exemption) Order 2026 has been gazetted to extend the above exemption on payments to Labuan International Commodity Trading companies. The Order is effective from YA 2026 to YA 2030.

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

## Income Tax (Tour Operator Company) (Exemption) Order 2026

In conjunction with Visit Malaysia Year 2026, the Income Tax (Tour Operator Company) (Exemption) Order 2026 has been gazetted to provide income tax exemption to a qualifying tour operator company. The exemption is applicable on statutory income equivalent to the value of increase in income derived from a tour operating business on inbound tourism packages including transportation and accommodation, subject to conditions.

The Order is effective for YA 2026 and YA 2027.

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



## Updated filing program for mandatory submission of required information and documents through the MITRS for YA 2026

Previously, insurance companies or takaful operators are required to submit additional documents along with the audited financial statements / unaudited financial statements (whichever relevant) from YA 2026. You may refer to KPMG's Tax Developments update dated 12 February 2026 (access from [here](#)) for more details.

This requirement is now removed in the updated filing program.

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



# Indirect Tax

# Indirect Tax

## Sales Tax and Service Tax guides

The RMCD has issued the following revised Sales Tax and Service Tax guides (available in Malay language only unless stated otherwise):

- Guide on Sales Tax Registration under the Sales Tax Act 2018 dated 6 March 2026
- Guide on Healthcare Services by Private Healthcare Facilities, Practice of Private Traditional and Complementary Medicine Services, and Private Allied Health Related Services (Version: 3) dated 1 March 2026
- Guide on Construction Work Services dated 17 March 2026 (available in English Language)

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

## Indirect tax legislation updates

The following legislation has been gazetted:

### i. Customs Duties (Goods under the Regional Comprehensive Economic Partnership Agreement) (Amendment) Order 2026

The Customs Duties (Goods under the Regional Comprehensive Economic Partnership Agreement) (Amendment) Order 2026 has been gazetted, and came into operation on **31 March 2026**.

Amendments are made in the Second Schedule of the Order to update the import duty rates for certain RCEP-originating goods and to reflect current HS Code classifications.

### ii. Customs (Amendment) (No.3) Regulations 2026

The Customs (Amendment) (No.3) Regulations 2026 has been gazetted, and came into operation on **30 March 2026**. Amendment is made in the First Schedule of the principal Regulations, in Part II, in relation to location for Sabah, by inserting after item Sapangar Bay Container Port and the particulars relating to it, a new location – “Kunak Port” with ordinary working hours of all times on any day.

The Second Schedule of the principal Regulations is also amended, in Part I, as follows:

- in relation to customs port for Johor, in item “Tanjung Setapa, Pengerang”, by substituting the particulars relating to the description of goods with – “Solid petrochemical products, sulphur, petroleum and gas and its by-products”; and
- in relation to customs port for Sabah, by inserting after item “Tengku” and the particulars relating to it the following item and particulars:

Customs Port	Description of goods	Legal landing place		
Kunak	Palm oil and its by-products and other agricultural products	The wharf of Sabah Ports Authority in Kunak Port, Kunak, Sabah located at—		
		<b>Mark</b>	<b>Latitude</b>	<b>Longitude</b>
		1	4°42' 0.00"	118°15'13.00"

Customs Port	Description of goods	Legal landing place		
		2	4°41'48.00"	118°15'30.00"
		5	4°41'40.20"	118°15'16.20"
		6	4°41'52.80"	118°15' 7.80"

### iii. Customs (Anti-Dumping Duties) (Administrative Review) (No. 2) Order 2026 (Amendment) Order 2026

The Customs (Anti-Dumping Duties) (Administrative Review) (No. 2) Order 2026 (Amendment) Order 2026 has been gazetted, and is effective retrospectively for the period from 15 January 2026 to 8 October 2026. Amendment is made in the Schedule, in column (3) by deleting the following items –

- “(b) The Republic of Korea” and the particulars relating to it in columns (4) and (5); and
- “(c) The Socialist Republic of Viet Nam” and the particulars relating to it in columns (4) and (5).

### iv. Customs (Prohibition of Imports) (Amendment) (No. 3) Order 2026

The Customs (Prohibition of Imports) (Amendment) (No. 3) Order 2026 has been gazetted, and came into operation on **1 April 2026**. Amendment is made in the First Schedule of the principal Order, by inserting after item 18 and the particulars relating to it, the following item and particulars:

(1) Item No.	(2) Description of goods	(3) Country
19	Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl	All countries

The Third Schedule of the principal Order is also amended, in Part I, in relation to subitem 54(1) –

- in subsubitem (b) and subsibitem (c), by substituting for the particulars in column (3) the following particulars:

(3) Chapter/ Heading/ Subheading
8549.11, 8549.12, 8549.13, 8549.14, 8549.19; and

- by deleting subsubitem (j) and the particulars relating to it.

## v. Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2026

The Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2026 has been gazetted, and came into operation on **9 April 2026**. Amendments are made in Schedule A as follows:

- in relation to item 27, in column (2) — by substituting subitem (c) with “(c) FlyFirefly Sdn. Bhd.,” and subitem (f) with “(f) Aerodarat Services Sdn. Bhd.”;
- in relation to item 58 and 58A, in column (3) — by renumbering the existing subitem as subitem (a); and inserting after subitem (a) as renumbered the following subitem “(b) B24 – very low sulfur fuel oil under subheading 2710.20.00 00 of the prevailing Customs Duties Order”.

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	6% Service Tax Rate for Rental or Leasing Services	17 March 2026
2	Public Ruling 1/2026 - Determination of Foreign Currency Exchange Rates for Service Tax Invoices and Sales Tax Invoices	8 April 2026

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

	Reference
HS Code	Harmonized System Code
ICT	Information and communication equipment
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
PTF	Property Trust Fund
RCEP	Regional Comprehensive Economic Partnership
REIT	Real Estate Investment Trust
RMCD	Royal Malaysian Customs Department
WHT	Withholding Tax
YA	Year of assessment

# Contact Us

## Petaling Jaya Office

### Soh Lian Seng

Partner – Head of Tax and Tax Dispute Resolution  
Isoh@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

### Chang Mei Seen

Partner – Head of Investment & Tax Incentives  
meiseenchang@kpmg.com.my  
+603 7721 7028

### 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  
suelynng@kpmg.com.my  
+603 7721 7271

## Outstation Offices

### Penang Office

#### Poh Sin Yue

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

### Johor Office

#### Ng Fie Lih

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

### Ipoh Office

#### Crystal Chuah Yoke Chin

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

### Eastern Malaysia

#### Titus Tseu

Tax Advisor  
titustseu@kpmg.com.my  
+603 7721 2822

#### Chan Wing Hong

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

#### Caroline Chong

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

# 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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:info@kpmg.com.my)

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