



# Tax developments



15 June 2026

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KPMG in Malaysia

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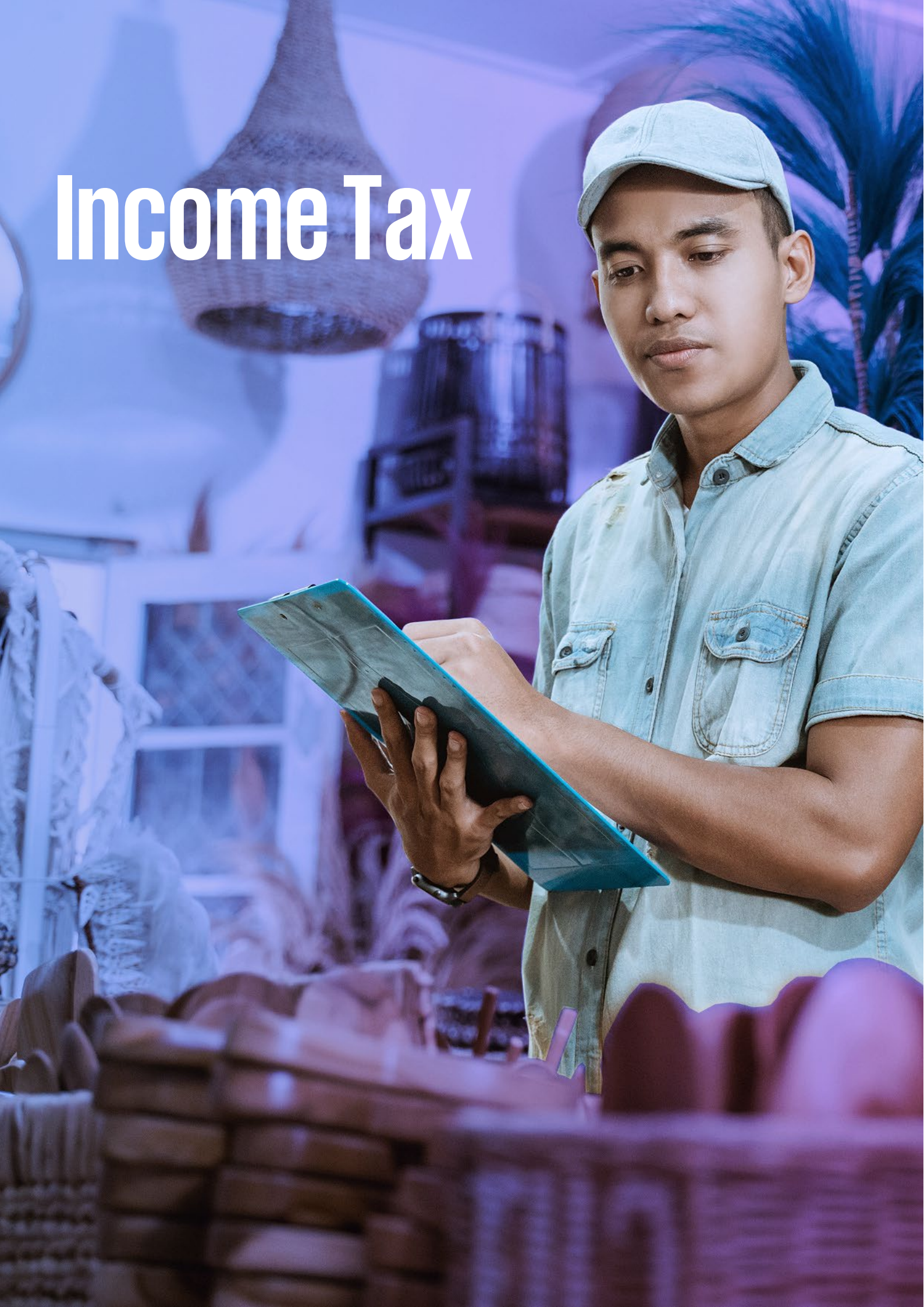
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# Income Tax



# Income Tax

## Ratification of Malaysia-Russia DTA

The Double Taxation Relief (the Government of the Russian Federation) Order 2025, which was gazetted on 28 March 2025, has entered into force on 3 September 2025 with the following effective dates:

Effective date	Article
3 September 2025	Article 27 – Exchange of Information
1 January 2026	All other articles apart from Article 27

Amongst others, the new Malaysia-Russia DTA provides for the following withholding tax rates where the relevant conditions are met:

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

We wish to highlight certain circumstances, amongst others, that constitutes a permanent establishment:

- A building site, a construction, installation or assembly project that last more than 12 months.
- Where supervisory activities are carried on for more than 6 months within any 12-month period in connection with a building site or a construction, installation or assembly project which is being undertaken in that other Contracting State.

Source for the Entry into Force date: Official Portal of [MIRB](#)

## Income Tax (Accelerated Capital Allowance) (Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026

Currently, accelerated capital allowance with an initial allowance of 20% and an annual allowance of 40% is given to a Tun Razak Exchange Marquee status company in Malaysia in respect of qualifying renovation costs incurred on a building or part of a building located in the Tun Razak Exchange used for business purposes, for the period from 1 January 2014 to 31 December 2025.

The Income Tax (Accelerated Capital Allowance) (Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026 have been gazetted to extend the incentive period until 31 December 2030.

The Rules are deemed to have effect from 1 January 2026.

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

## Review of Principal Hub 2.0 tax incentive for new companies

Under the Principal Hub 2.0 tax incentive scheme, applications can be made to MIDA from 1 January 2019 to 31 December 2020 to enjoy a concessionary tax rate of 0% / 5% (new company) or 10% (existing company) on statutory income (excluding IP income) derived from core income generating activities for 5 consecutive YAs. The tax incentive may be extended for another 5 YAs, subject to conditions.

The Income Tax (Exemption) (No. 3) Order 2023 was gazetted to legislate the tax incentive for new companies:

Category of Principal Hub 2.0	Tax incentive
<p><b>Category 1</b></p> <ul style="list-style-type: none"> <li>Restricted to a company that does not have an existing entity or related entity in Malaysia which carries on any Principal Hub qualifying services in Malaysia</li> <li>Subject to conditions</li> </ul>	<p>0% tax rate on statutory income (excluding IP income) derived from core income generating activities for 5 consecutive YAs</p>
<p><b>Category 2</b></p> <ul style="list-style-type: none"> <li>Restricted to a company that has an existing or related entity in Malaysia which has not carried on any Principal Hub qualifying services in Malaysia</li> <li>Subject to conditions</li> </ul>	<p>5% tax rate on statutory income (excluding IP income) derived from core income generating activities for 5 consecutive YAs</p>

The Income Tax (Exemption) (No. 3) 2023 (Amendment) Order 2026 has been gazetted to remove the abovementioned restriction. Accordingly, the applicable tax rate of 0% / 5% is based on meeting the other prescribed qualifying conditions, including the minimum annual operating expenditure in Malaysia and the minimum number of full-time new employees at different salary thresholds.

The Amendment Order has effect from YA 2025.

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

# Indirect Tax



# Indirect Tax

## Sales Tax Policy No. 3/ 2026

The RMCD has issued Sales Tax Policy No. 3/2026 in relation to vessels classified under tariff codes HS 8901 to HS 8908 dated 25 May 2026 – available in Malay language only.

The Policy states that the Minister of Finance has agreed to exempt from Sales Tax all vessels classified under tariff codes **HS 8901 to HS 8908 effective 1 July 2026** and no refund is allowed for Sales Tax already paid. Such exemption is granted pursuant to the Sales Tax (Goods Exempted from Sales Tax) Order 2025 [P.U.(A) 171/2025].

During the interim period before the amendment to the subsidiary legislation is gazetted, the exemption referred to above is granted to any person who manufactures, purchases, or imports all types of vessels classified under tariff codes HS 8901 to HS 8908, including for the purpose of repair and maintenance.

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

## Service Tax Policy No. 5/2025 (Amendment No. 3)

The RMCD has issued Service Tax Policy No. 5/2025 (Amendment No. 3) in relation to Private Healthcare Services dated 22 May 2026. For completeness, the amended table is as follows:

No.	Exemption	Conditions
1.	<p>(a) Consultation fees charged by professional doctors at registered private healthcare facilities, practitioners of traditional and complementary private medical practices, and private allied health services are exempted from the imposition of Service Tax.</p> <p>(b) However, any Service Tax that has been collected from customers must be remitted to the RMCD in accordance with Section 26 of the SeTa 2018. The RMCD may take any necessary action to recover any amount of Service Tax not accounted for to RMCD in accordance with the prevailing legislation in force.</p>	<p>The consultation fee shall be itemized separately from other medical treatment charges within the same invoice.</p> <p>Where the issued invoice does not specify the value of the consultation fee separately, Service Tax shall be imposed on the total value of the invoice.</p>
2.	<p>(a) Any private healthcare facility that provides taxable services such as accommodation services (Group A) and food and beverage services (Group B) is subject to Service Tax on all other services (taxable and non-taxable) provided by the premises.</p> <p>(b) An exemption from imposing Service Tax is granted to private healthcare service</p>	

No.	Exemption	Conditions
	<p>providers registered or licensed under Act 586 (whether registered or not under the SeTa 2018) who provide services under Group A and Group B of the First Schedule, Service Tax Regulations 2018, for the period from 1 September 2018 to 30 June 2025.</p> <p>(c) No refund shall be granted to any private healthcare facility that has imposed and remitted Service Tax on Group A and Group B services during the exemption period from 1 September 2018 to 30 June 2025.</p> <p>(d) Therefore, private healthcare facilities registered under Group A and Group B are required to impose Service Tax on all taxable and non-taxable services provided effective from 1 July 2025.</p>	
3.	<p>(a) Health screening services for non-citizen workers provided by private healthcare facilities through health screening management service providers are exempted from the imposition of Service Tax.</p> <p>(b) Any Service Tax that has been collected from customers must be remitted to the RMCD in accordance with Section 26 of the SeTa 2018. The RMCD may take any necessary action to recover any amount of Service Tax not accounted for to RMCD in accordance with the prevailing legislation in force.</p>	
4.	<p>Service Tax exemption is granted to all foreign diplomats and their dependents upon verification by the Ministry of Foreign Affairs.</p>	<p>(i) The implementation of the exemption is subject to a verification letter from the Ministry of Foreign Affairs issued to the foreign diplomat.</p> <p>(ii) A copy of the verification letter must be submitted by the foreign diplomat to the private hospital/clinic for record purposes.</p>

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

## Service Tax guides

The RMCD has issued the following Service Tax guides (available in Malay language only):

- Guide on Rental or Leasing Services (Version 2) dated 14 May 2026
- Guide on Provision of Parking Spaces dated 4 June 2026
- Guide on Employment Services (Version 4) dated 9 June 2026
- Guide on Motor Vehicle Service or Repair dated 10 June 2026

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

## Indirect tax legislation updates

The following legislations have been gazetted and came into operation on 1 June 2026:

### i. **Customs Duties (Goods under the Agreement Establishing the ASEAN–Australia–New Zealand Free Trade Area) (Amendment) Order 2026**

Amendment is made in the First Schedule –

- by substituting Part I and II as well as Appendix A and A2 as stated in the amendment Order;
- by deleting Appendix A1; and
- by substituting for the words “ANNEX 2” the words “ANNEX 3B”.

### ii. **Customs Duties (Exemption) (Amendment) Order 2026**

Amendment is made to the Schedule, in Part I, in relation to item 103 –

- in column (2), by substituting for the words “AirAsia X Sdn. Bhd.” the words “AirAsia X Berhad”; and
- in column (4), by substituting for subitem (i) the following subitem:  
“(i) That the goods are imported solely to be used or for sale by and in the aircraft of AirAsia X Berhad in its international flights,”.

### iii. **Excise Duties (Exemption) (Amendment) Order 2026**

Amendment is made to the Schedule, in Part I, in relation to item 33 –

- in column (2), by substituting for the words “Air Asia X Sdn. Bhd.” the words “AirAsia X Berhad”; and
- in column (4), by substituting for subitem (a) the following subitem:  
“(a) That the goods are imported or purchased from a licensed manufacturer and are solely to be used or for sale by and in the aircraft of AirAsia X Berhad in its international flights;”.

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

# Individual Tax



# Individual Tax

## Women returning to work after ceasing from employment temporarily

Income Tax (Exemption) (No. 9) Order 2019 and Income Tax (Exemption) (No.9) Order 2019 (Amendment) provided an income tax exemption for approved individual who is a woman returning to the workforce after a temporarily cessation of employment. The exemption applies to employment income derived for a period not exceeding twelve (12) consecutive months, subject to the fulfilment of prescribed conditions. This tax exemption was effective from YA 2018 to YA 2024.

A new Order, the Income Tax (Income of Approved Individual) (Women Returning to Work After Ceasing from Employment Temporarily) (Exemption) Order 2026, has been gazetted on 9 June 2026, to extend the tax exemption effective period up to the YA 2028. This tax exemption is not applicable if the approved individual has been granted an exemption under Income Tax (Exemption) (No. 9) Order 2019.

Source for the Order: [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	Public Ruling 2/2026 – Clarification on the meaning of the word “Used” for Sales Tax Drawback Claims	21 May 2026
2	Updated Guide on Completing the SST-02 Return	10 June 2026

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

	Reference
DTA	Double Taxation Agreement
IP	Intellectual property
MIDA	Malaysian Industrial Development Authority
MIRB	Malaysian Inland Revenue Board
RMCD	Royal Malaysian Customs Department
SeTa 2018	Service Tax Act 2018
YA	Year of assessment

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