Tax developments

15 July 2026

KPMG in Malaysia

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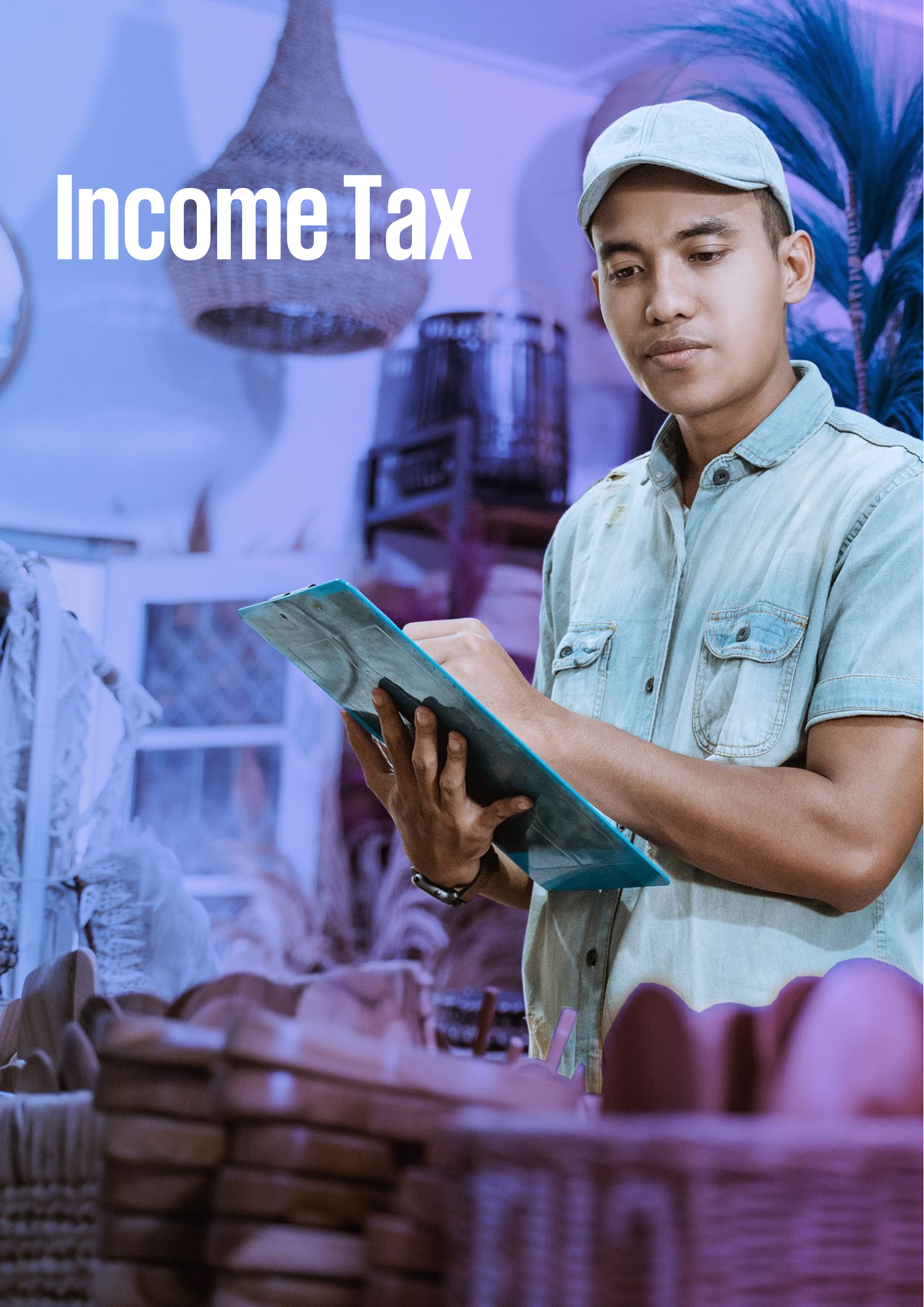


Income Tax

Deduction on rental of electric motor vehicles

The Income Tax (Deduction for Rental Payments) (Electric Motor Vehicles) Rules 2026 have been gazetted to provide tax deduction to a company incorporated under Companies Act 2016 and resident in Malaysia on rental payments of new non-commercial electric motor vehicles, subject to conditions. The maximum amount of deduction allowed for a YA and subsequent YAs shall not exceed RM300,000 in aggregate.

The qualifying expenditure includes insurance payments and processing fees relating to the process of rental of the electric motor vehicles.

The Rules have effect from YA 2023 to YA 2027.

Source for the Rules: Federal Legislation Portal of Malaysia

Tax deductions for workforce initiatives

The following tax incentives have been legislated:

1. **Further deduction on care allowance for parents, adoptive parents and grandparents**

   The Income Tax (Deduction for Payment of Care Allowance of Parents and Grandparents) Rules 2026 have been gazetted to provide further deduction on any expenses incurred by resident employers to their employees in relation to care allowance for parents, adoptive parents or grandparents.

   The Rules are deemed to have effect from YA 2025.

2. **Further deduction on implementation of flexible working arrangements**

   Under the Income Tax (Deduction for the Costs of Implementation of Flexible Work Arrangements) Rules 2026, employers may claim further deduction of 50% on qualifying expenses incurred for the implementation of flexible work arrangements in relation to capacity development (including training cost of employees) and acquisition of software.

   The total amount of the expenditure allowed is capped at RM500,000, is only allowed once, and is subject to verification by TalentCorp. Employers who wish to enjoy this tax incentive may submit their application to TalentCorp during the period from 1 January 2025 until 31 December 2027.

   The Rules are deemed to have come into operation from YA 2025.

3. **Further deduction on hiring women returning to work after a temporary cessation of employment**

   The Income Tax (Deduction for Employment of Approved Individual) Rules 2026 have been gazetted to provide qualifying employers a further deduction of 50% on remuneration paid to an approved individual, i.e. women returning to work after a temporary cessation of employment.

   The deduction is allowed for a period not exceeding 12 consecutive months and is subject to the conditions imposed by the Minister and verification of compliance by TalentCorp.

   The Rules have effect from YA 2025 to YA 2027.

Source for the Rules: Federal Legislation Portal of Malaysia

Double deduction for sponsorship of scholarships to Malaysian students

The Income Tax (Deduction for the Sponsorship of Scholarship to Malaysian Student Pursuing Studies at Technical and Vocational Certificate, Diploma, Bachelor's Degree or Professional Certificate Levels) Rules 2026 have been gazetted to provide double tax deduction to companies incorporated under Companies Act 2016 and resident in Malaysia on qualifying expenses incurred and paid for sponsoring scholarships in accordance with the period of the sponsorship agreement.

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

- The scope of eligible educational courses has been expanded to include qualified professional certification level. The incentive no longer apply for master's degree or doctorate levels.
- The scholarship agreement must be executed with eligible Malaysian students on or after 1 January 2026 but not later than 31 December 2030.
- A report of the agreement must be submitted to the Ministry of Higher Education.
- Among the conditions, an eligible Malaysian student is an individual whose parents or guardians' total monthly income does not exceed RM15,000, which is an increase from the RM10,000 threshold prescribed under the earlier tax incentive for scholarship agreements executed from 1 January 2022 to 31 December 2025.

The Rules are effective from YA 2026.

Source for the Rules: Federal Legislation Portal of Malaysia

Income Tax (Industrial Building Allowance) (Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026

Industrial building allowance at the rate of 10% annual allowance is given to a Tun Razak Exchange Marquee status company in respect of qualifying building expenditure incurred for a commercial building for the purposes of its qualifying business from 1 January 2014 to 31 December 2025.

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

The Rules are deemed to have effect from YA 2014.

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

Deduction on purchase of local handicraft product

The Income Tax (Deduction for Expenditure in Relation to Purchase of Handicraft Product) Rules 2026 provide tax deduction of up to RM150,000 for each YA to qualifying hotel operators on expenditure incurred for the purchase of Malaysian-made handicraft products from a person registered with the Malaysian Handicraft Development Corporation.

The deduction is applicable on qualifying expenditure incurred on handicraft products purchased from 1 January 2023 to 31 December 2025 for usage in the hotel premises, excluding payment of designer fees, professional fees, and the purchase of collectible antiques.

The Rules are deemed to have come into operation on 1 January 2023.

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

Updated MIDA's guidelines on tax incentives for new investment in the manufacturing sector under the New Investment Framework

MIDA has released its updated guidelines for the NIF, which currently offers two primary mutually exclusive tax incentives for the manufacturing sector:

Categories of incentive	Special tax rate	Investment Tax Allowance ("ITA")
New investment	0% to 10% for a period of up to 10 years (previously 15 years)	ITA of up to 100% to be set off against 70% to 100% of statutory income for up to 10 years (previously 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 gazettement.

Source for the Guidelines: Official Portal of MIDA

Revised Malaysia Digital status guidelines

MDEC has released the revised Malaysia Digital status guidelines effective 1 July 2026. Amongst others, we wish to highlight the following salient updates:

- MDEC has updated and expanded the list of Malaysia Digital Approved Activities and non-qualifying activities. Outsourcing of core activities of the Malaysia Digital Approved Activities whether in whole or in part to third parties is not permitted.
- An annual Self-Declaration Form or other detailed standard forms specified by MDEC shall be submitted to MDEC within 7 months after the end date of the company's accounting period for each YA.

Existing Malaysia Digital status companies and interested applicants are advised to review the revised Guidelines to ensure continued compliance with the latest requirements.

Source for the Guidelines: Official Portal of MDEC

Updated guidelines on application for DGIR's approval under Subsection 44(11D) for endowment funds and *wakaf* funds

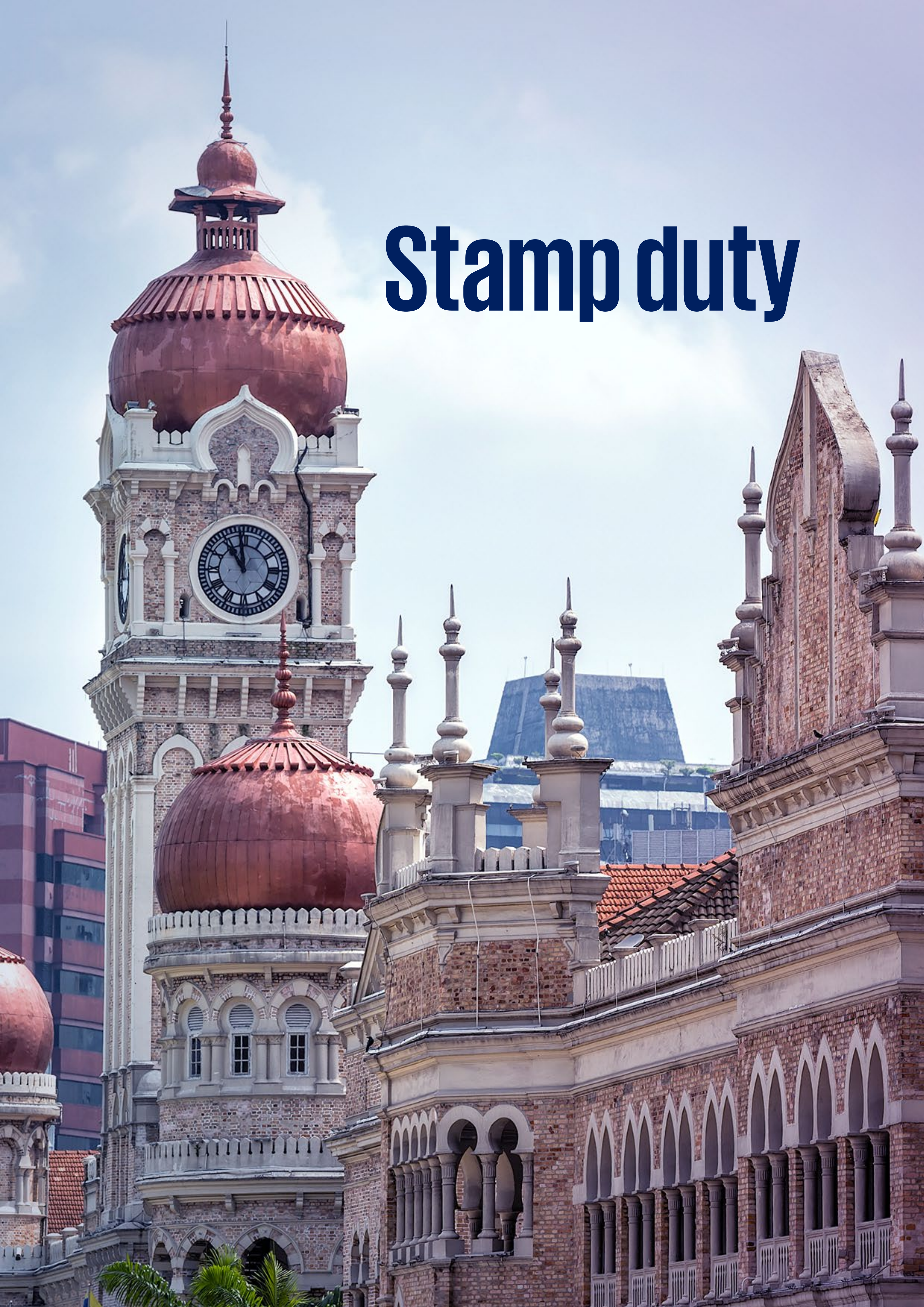
The MIRB has issued the updated guidelines along with the form and appendices for the application of Subsection 44(11D) status for endowment funds and *wakaf* funds, outlining enhanced governance requirements and the latest compliance obligations.

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

- The scope of institutions eligible to apply for approval under Subsection 44(11D) for endowment funds has been expanded to include public university teaching hospitals, in line with the proposal announced under Budget 2026.
- Funds intending to undertake activities that are inconsistent with their approved objectives or to surrender their approval under Subsection 44(11D) are required to obtain written approval from the MIRB within the same financial year.
- In the event of non-compliance with any approval conditions or prohibitions during the approval period, income tax may be imposed in the YA in which the breach occurs. In addition, the MIRB may, at its discretion, withdraw the approval granted under Subsection 44(11D).

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

Stamp duty



Stamp Duty

Guidelines on the imposition of stamp duty for instruments subject to the First Schedule of the Stamp Act 1949

The MIRB has issued the above Guidelines along with an infographic to provide a high-level overview of for the following instruments:

(a) Rental / lease

(b) Transfer of ownership of unlisted shares

(c) Transfer of ownership of real property

(d) Transfer of ownership of business

(e) Transfer of ownership of instruments other than (b), (c) and (d)

(f) Security

(g) General stamping

The Guidelines outline the type of instruments, rate of stamp duty, persons responsible for payment of stamp duty and examples of instruments falling under the respective categories.

The issuance of the Guidelines is the MIRB's continued commitment to provide greater clarity and guidance to duty payers, as Malaysia progressively transitions towards the phased implementation of the Stamp Duty Self-Assessment System.

Duty payers may wish to familiarise themselves with the Guidelines and take advantage of the extended Stamp Duty Special Voluntary Disclosure Programme ("SVDP"), which is now available until 31 December 2026. You may refer to KPMG's earlier Tax Whiz (access from here) for more details on the SVDP.

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

Indirect Tax

Indirect Tax

Service Tax Policy No. 1/2025 (Amendment No. 5)

The RMCD has issued Service Tax Policy No. 1/2025 (Amendment No. 5) in relation to Financial Services dated 1 July 2026. Amendment is made to include an additional item – item 14 as follows:

No.	Exemption	Conditions
14	Exemption from the payment of Service Tax on fees or commissions charged on the operation of a Transactional Investment Account (TIA-i). ▪ This exemption shall take effect from **1st June 2026**. ▪ No refund of Service Tax shall be granted to any person who has paid Service Tax for the period from 1st July 2025 to 31st May 2026. ▪ Applications for refunds of Service Tax for the period commencing from 1st June 2026 shall be made in accordance with RMCD's standard refund procedures.	(a) The service provider is a registered person under the SeTA 2018; and (b) The exemption shall apply only to the trading of shares listed on Bursa Malaysia. (c) The TIA-i service provider is a registered person under the SeTA 2018; (d) The TIA-i account shall comply with shariah principles under the Islamic Financial Services Act 2013; (e) The TIA-i shall be an account which has the same functions and purposes as a savings account or a current account (CASA), such as for daily transaction use, and must not have a locked-in period; and (f) The fees or commissions charged shall relate to the operation of the TIA-i for the following services: (i) cash deposits, cash withdrawals, payments, or fund transfers; (ii) issuance of a debit card; (iii) basic transactions at counter; (iv) basic transactions of automated teller machine (ATM); or (v) printing of statements account.

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

Guide on Refund, Drawback and Appeal for Sales Tax and Service Tax (Version 5)

The RMCD has issued a Guide on Refund, Drawback and Appeal for Sales Tax and Service Tax (Version 5) dated 15 June 2026 (available in Malay language only) to provide further clarification on the application procedures as well as documentation requirement with respect to the refund, drawback and appeal mechanisms.

Source for the Guide: RMCD – MySST (SST Guides) (Malay version)

Indirect tax legislation updates

The following legislations have been gazetted and came into operation on 10 July 2026:

i. Excise Duties (Exemption) (Amendment) (No. 2) Order 2026

Amendment is made to the Schedule, in Part I, by inserting after item 44 and the particulars relating to it the following item and particulars:

(1) No.	(2) Persons exempted	(3) Goods exempted	(4) Conditions	(5) Certificate to be signed by
45.	Any licensed manufacturer	Motor cars under heading 87.03 and motorcycles under heading 87.11	(a) That the person specified in column (2) shall notify the Director General in writing relating to the particulars of the goods referred to in column (3) before the removal of the goods; (b) that it is proved to the satisfaction of the Director General that the goods are removed temporarily from a place of manufacture specified in the license issued under section 20 or a licensed warehouse owned by the person specified in column (2) to any other place for the purposes of exhibition, demonstration, training, repair, research or test; (c) that the person specified in column (2) shall give a security as determined by the Director General to secure the return of the goods; (d) that the goods shall be returned to the place of manufacture specified in the license issued under section 20 or a licensed warehouse within two months or such further period as the Director General may approve; (e) that the person specified in column (2) shall keep proper records of the goods removed and the records shall be made available at any time for inspection by the proper officer	The licensed manufacturer

ii. Excise (Exemption from Licensing) (Amendment) Order 2026

Amendment is made to the Schedule, by inserting after item 7 and the particulars relating to it the following item and particulars:

"8. Workshop owner who does modification activity from a panel van to a window van.".

Source for the legislations: Federal Legislation Portal of Malaysia

Transfer Pricing

Transfer Pricing

Frequently Asked Questions on Malaysia Transfer Pricing Guidelines 2024

The MIRB has issued two FAQs on the Malaysia Transfer Pricing Guidelines 2024 (“MTPG 2024”):

- FAQs – Paragraph 1.5 of the MTPG 2024: What You Need to Know
- FAQs – MTPG 2024 Chapter 1: Scope and Application

The FAQs provide clarifications and examples in the following areas:

- The definition of control, with reference to Section 139, subsection 140A(5) and subsection 140A(5A) of the MITA.
- Discuss each of the conditions set out in paragraphs 1.5(a) to 1.5(d) in relation to the exemption from preparing full contemporaneous transfer pricing documentation (“CTPD”).
- The types of documents to be maintained to ensure compliance with arm’s length principles should the persons are exempted from preparing CTPD.
- The determination of thresholds for the preparation of CTPD.

For more details, please refer to the FAQs accordingly, available at the official portal of MIRB.

Source for the FAQs on MTPG 2024: Official Portal of MIRB

e-Invoicing

e-Invoicing

The MIRB has issued a media release, updated e-Invoice Guideline (Version 4.7) and e-Invoice Specific Guideline (Version 4.8) on 7 July 2026.

<table>
<tr><th>Topic</th><th>Salient Updates to the MIRB’s Media Release and Guidelines</th></tr>
<tr><td>e-Invoice SVDP</td><td>

The MIRB has introduced the SVDP to support taxpayers in regularising their e-Invoice compliance by voluntarily reviewing, updating and rectifying e-Invoice transactions during the SVDP period without the imposition of penalties.
The effective period of the SVDP is from 7 July 2026 to 31 December 2027.
The SVDP applies to taxpayers who fall within any of the following categories:

<table>
<tr><th>Categories</th><th>Details</th></tr>
<tr><td>Non-submission of e-Invoice for certain transactions</td><td>Taxpayers who have not submitted or omitted to submit e-Invoices for any period commencing from the mandatory e-Invoice implementation date.</td></tr>
<tr><td>Errors in submitted e-Invoices</td><td>Taxpayers who have submitted e-Invoices but the e-Invoices contain errors or information not in compliance with the specifications and requirements prescribed under the relevant tax legislation and e-Invoice Guidelines.</td></tr>
<tr><td>Non-submission of e-Invoice</td><td>Taxpayers who have not submitted any e-Invoice for any period or transaction commencing from the mandatory e-Invoice implementation date.</td></tr>
<tr><td>Taxpayers under e-Invoice compliance review</td><td>Taxpayers who are undergoing or notified by the MIRB that they will be undergoing an e-Invoice compliance review.</td></tr>
</table>

MIRB will accept voluntary disclosures made under the SVDP provided that taxpayers:

Act in good faith;
Comply with the requirements prescribed under the programme; and
Ensure that the voluntary disclosures made are accurate and properly submitted.

</td></tr>
</table>

	• The MIRB will not undertake e-Invoice compliance review and enforcement action (including imposition of penalties and prosecution actions) in relation to the e-Invoices disclosed under the e-Invoice SVDP. However, the above measures will not apply where: • The e-Invoices submitted under the e-Invoice SVDP are not in compliance with the specifications and requirements prescribed under the relevant tax legislation and e-Invoice guidelines; or • Elements of fraud, willful default or negligence are involved. • Where the voluntary disclosure relates to consolidated e-Invoices not previously submitted, the consolidated e-Invoices must be submitted based on the respective month of transaction rather than on a lump sum basis covering multiple months.
Accelerated Capital Allowance	Based on the MIRB's media release dated 7 July 2026, taxpayers may claim capital allowance within one year (1) on qualifying expenditure incurred on the acquisition of ICT equipment and the costs for the development or customisation of computer software used for the implementation of e-Invoicing. The above measures are subject to the issuance of the relevant legislation, gazette order(s) and/or guidelines.
Definition of BRN for e-Invoicing	The MIRB has clarified that the BRN refers to the official registration number issued by the government, relevant authorities or regulatory bodies under which a taxpayer is registered, established or incorporated. For taxpayers who do not possess a BRN, the MIRB may assign an alternative identification number as deemed appropriate for e-Invoice purposes.

Source for the 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	Service Tax Policy 2/2026 - Construction Works Services	22 June 2026
2	Extension of the Special Voluntary Disclosure Programme for Stamp Duty	26 June 2026
3	Sales Tax Policy 1/2026 (Amendment No 1) and Service Tax Policy 3/2026	30 June 2026
4	e-Invoicing Update: New Tax Measures Announced	7 July 2026

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

	Reference
BRN	Business Registration Number
DGIR	Director General of Inland Revenue
FAQs	Frequently Asked Questions
ICT	Information and Communication Technology
MDEC	Malaysia Digital Economy Corporation
MIDA	Malaysian Investment Development Authority
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
RMCD	Royal Malaysian Customs Department
SeTA 2018	Service Tax Act 2018
SVDP	Special Voluntary Disclosure Programme
TalentCorp	Talent Corporation Malaysia Berhad
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

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

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

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

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

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

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

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
Partner
whchan@kpmg.com.my
+603 7721 7424

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

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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

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