KPMG

Tax developments



10 November 2026

KPMG in Malaysia

Table of Contents

Income Tax

1 Extension of exemption on foreign dividend income received in Malaysia from outside Malaysia

2 Exemption on income derived from promoting or organising events of international standard

3 Deduction for renovating and converting office premises to a residential house

4 Review of Principal Hub 3.0 tax incentive

5 Income Tax (Deduction for Relocation Costs for Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026

6 MIRB's updated guidelines on CGT

7 Practice Note No. 3/2026 – Comparison of Allowances Claimed under Schedules 7A and 7B of the MITA

8 MDEC's updated guidelines and FAQs on Forest City SFZ tax incentive for fintech related activities, financial global business services and foreign payment system operator

Table of Contents

Stamp Duty

1 Guidelines on the imposition of stamp duty on service agreements

Indirect Tax

1 Sales Tax Announcement

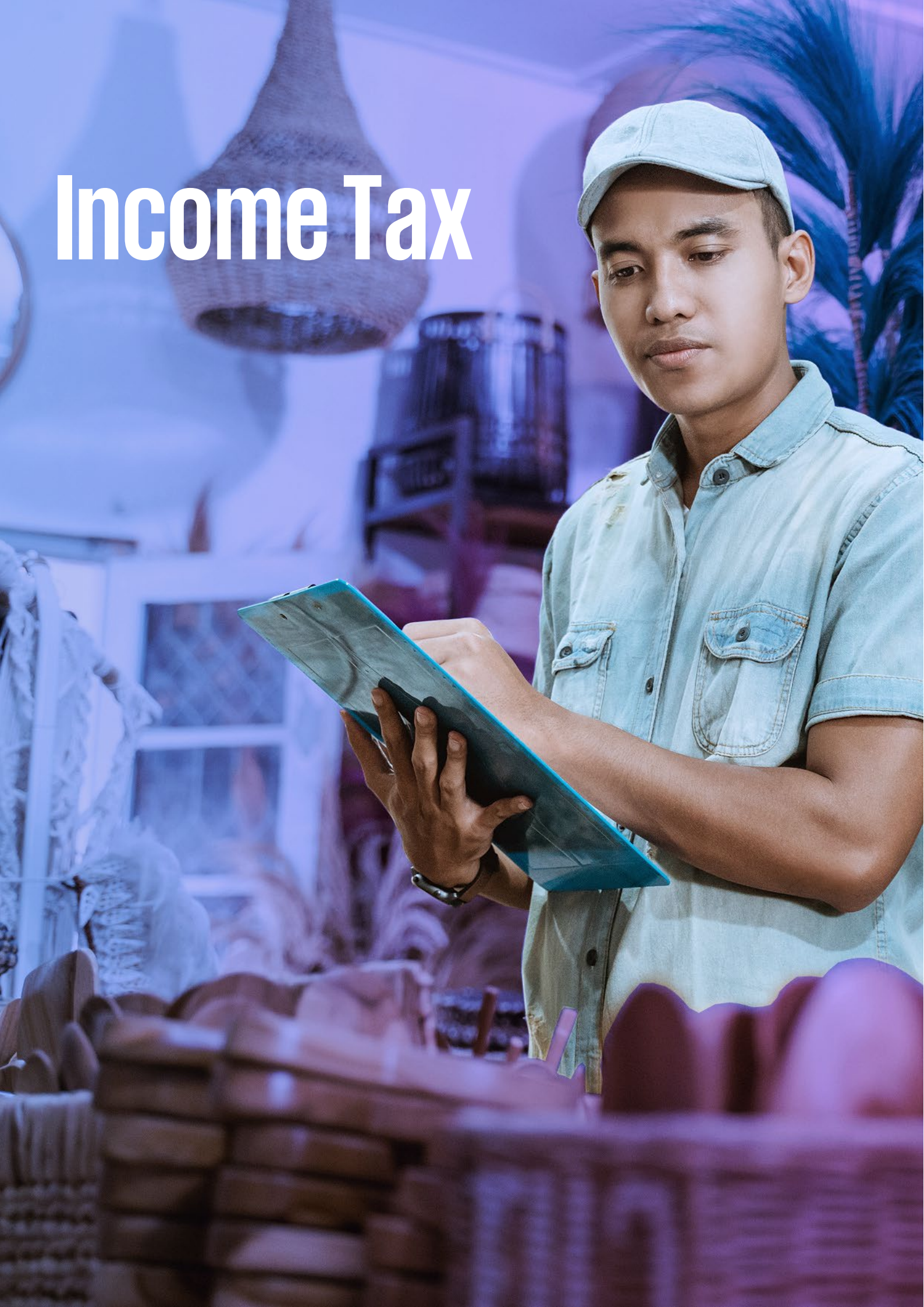
2 Service Tax Policies

3 Public Ruling 6/2026 - Forms, Returns, Application Procedures and Payment under Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018

4 Guide on Construction Work Services

5 Indirect tax legislation updates

Income Tax



Income Tax

Extension of exemption on foreign dividend income received in Malaysia from outside Malaysia

Currently, Income Tax (Exemption) (No. 6) Order 2022, amended by the Income Tax (Exemption) (No. 6) Order 2022 (Amendment) Order 2024, provides income tax exemption for the following categories of taxpayers on foreign dividend income received in Malaysia from outside Malaysia from 1 January 2022 to 31 December 2026, subject to meeting conditions:

(a) an individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;

(b) a limited liability partnership which is registered under the Limited Liability Partnerships Act 2012;

(c) a company which is incorporated or registered under the Companies Act 2016; or

(d) a company incorporated under the Labuan Companies Act 1990 and the company has made an election under Section 3A of the Labuan Business Activity Tax Act 1990 to be charged to tax in accordance with the MITA.

The Income Tax (Dividend Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2026 extends the exemption period until 31 December 2030. The category of in-scope resident taxpayers has also been expanded to include co-operative societies and trust bodies.

The 2026 Order comes into operation from 1 January 2027 until 31 December 2030.

Source for the Orders: Federal Legislation Portal of Malaysia

Exemption on income derived from promoting or organising events of international standard

Currently, the Income Tax (Exemption) (No. 53) Order 2000 provided a resident conference promoter 100% tax exemption on statutory income derived from organising conferences held in Malaysia, provided that such conferences bring in at least 500 foreign participants in a YA.

The Income Tax (Organizing Incentive Trips, Conferences and Trade Exhibitions of International Standard) (Exemption) Order 2026 provides resident companies and registered associations a 100% tax exemption on statutory income derived from promoting or organising events of international standard for foreign participants held in Malaysia. The exemption is subject to bringing in the following minimum number of foreign participants in a YA, as verified by the Ministry of Tourism, Arts and Culture:

- Incentive trips – 1,500 foreign participants;
- Conferences – 2,000 foreign participants; or
- Trade exhibitions – 3,000 foreign participants.



Foreign participants are defined as non-Malaysian citizens but exclude non-Malaysian citizens who are resident in Malaysia.

The 2026 Order has effect from YA 2026 to YA 2027 and revokes the Income Tax (Exemption) (No. 53) Order 2000.

Source for the Orders: Federal Legislation Portal of Malaysia

Deduction for renovating and converting office premises to a residential house

The Income Tax (Deduction for Expenditure In Relation to Cost of Renovation and Conversion of Office Premise to Residential House) Rules 2026 provides a resident person a special tax deduction of 10% on specified qualifying expenditure incurred from 1 January 2026 to 31 December 2027 for the renovation and conversion of office premises (excluding shophouses) into residential houses, in ascertaining the adjusted income from its business, subject to meeting conditions.

The total amount of deduction allowed is limited to RM10 million and the qualifying expenditure shall be certified by an external auditor.

The Rules have effect from YA 2026.

Source for the Rules: Federal Legislation Portal of Malaysia

Review of Principal Hub 3.0 tax incentive

The Income Tax (The Principal Hub Incentive Scheme) Rules 2022 was gazetted to legislate the Principal Hub 3.0 tax incentive scheme for applications made to MIDA from 1 January 2021 to 31 December 2022, which provides a concessionary tax rate of 0% / 5% (new company) or 10% (existing company) on statutory income (excluding IP income) derived from a qualifying activity for 5 consecutive YAs. The tax incentive may be extended for another 5 YAs for a new company, subject to conditions.



The 2022 Rules, amongst others, prescribe different concessionary tax rates for a new company depending on whether it has an existing or related entity in Malaysia prior to the application for the Principal Hub 3.0 incentive.

The Income Tax (The Principal Hub Incentive Scheme) (Amendment) Rules 2026 has been gazetted to remove the distinction between the categories of new companies. The concessionary tax rates and quantitative conditions stipulated in Schedules 2 and 3 remain unchanged.

The Amendment Rules have effect from YA 2025.

Source for the Rules: Federal Legislation Portal of Malaysia

Income Tax (Deduction for Relocation Costs for Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026

Currently, a special deduction is given to a Tun Razak Exchange Marquee status company in Malaysia in respect of qualifying costs incurred to relocate the whole or part of business to the Tun Razak Exchange, which are ordinarily not deductible under Section 33(1) of the MITA, provided that the relocation takes place not later than 31 December 2025.

The Income Tax (Deduction for Relocation Costs for Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026 extends the period for relocation until 31 December 2030.

The Rules have effect from YA 2026.

Source for the Rules: Federal Legislation Portal of Malaysia

MIRB's updated guidelines on CGT

- **Guidelines on CGT for unlisted shares**
- **Guidelines on tax treatment on gains from the disposal of foreign capital assets received in Malaysia from outside Malaysia**

The updated Guidelines incorporate the amendments to the legislation vide the Finance Act 2025. Please click here for a copy of KPMG's Finance and Tax Bills 2025 Highlights for a recap.

Source for the Guidelines: Official Portal of MIRB

Practice Note No. 3/2026 – Comparison of allowances claimed under Schedules 7A and 7B of the MITA

The MIRB has published the above Practice Note to explain the differences between claims for allowances under the two Schedules including the purpose, type of projects, eligibility factors and conditions to be considered.

Source for the Practice Note: Official Portal of MIRB

MDEC's updated guidelines and FAQs on Forest City SFZ tax incentive for fintech related activities, financial global business services and foreign payment system operator

As part of a suite of tax incentives for Forest City SFZ, the following incentive is offered to fintech related activities, financial global business services and foreign payment system operator:

5% special tax rate on chargeable income* derived from approved qualifying activities carried out in Pulau 1 Forest City for 10 consecutive YAs and extension of additional 10 YAs

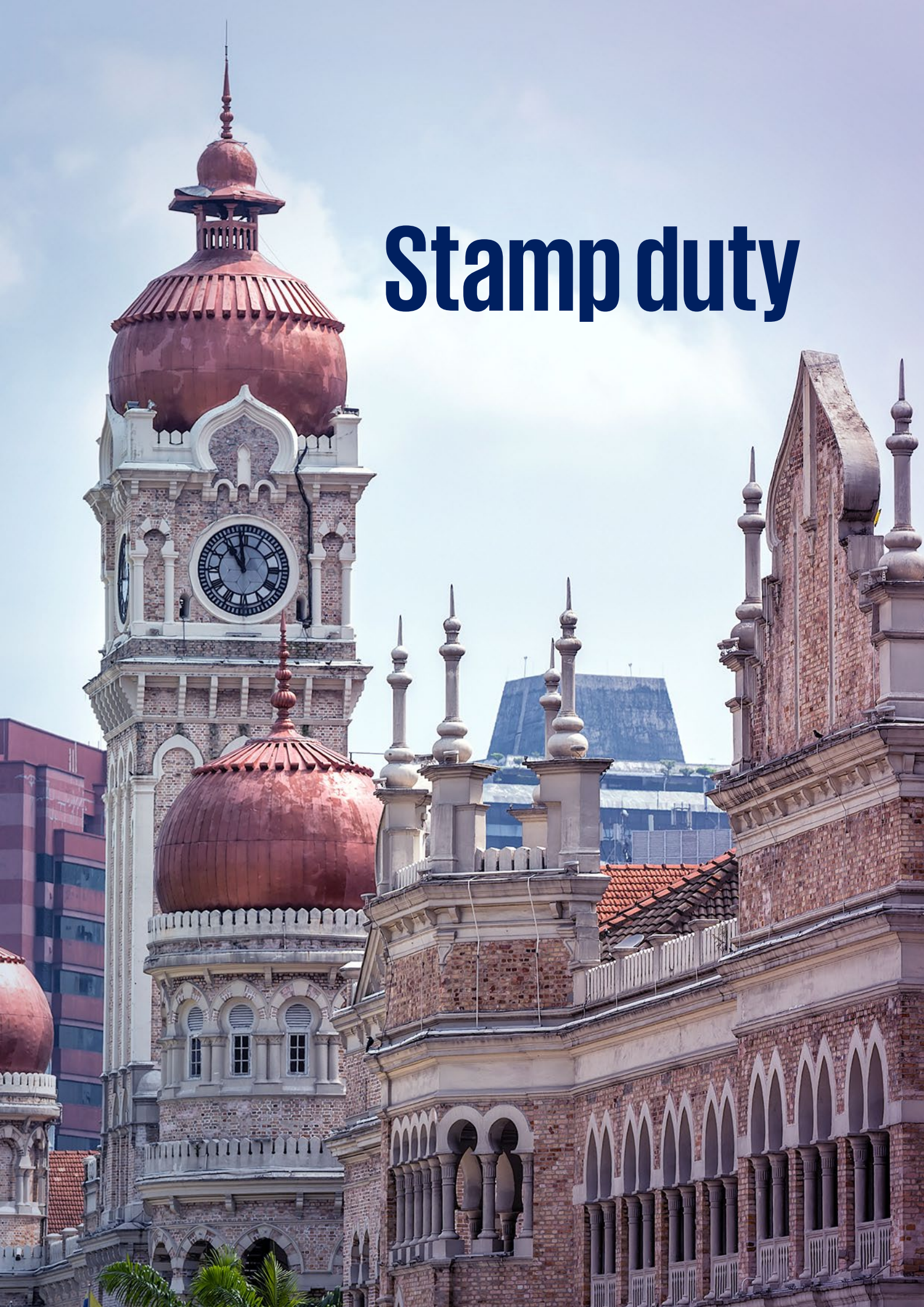
** excluding any royalty or other income derived from an intellectual property right*

Previously, the guidelines stipulated that the applicant be a company incorporated under the Companies Act 2016 or Companies Act 1965 and resident in Malaysia, among other conditions.

MDEC has updated the above guidelines to clarify that the residency requirement does not apply to a foreign payment system operator established or incorporated in a foreign jurisdiction and approved under Section 11 of the Financial Services Act 2013 or Islamic Financial Services Act 2013 to operate a payment system.

Applications for the tax incentive are to be submitted to MDEC from 1 September 2024 to 31 December 2034. The relevant statutory order is pending gazettement.

Source for the Guidelines and FAQs: Official Portal of MDEC



Stamp duty

Stamp Duty

Guidelines on the imposition of stamp duty on service agreements

The MIRB has issued the above Guidelines to explain the stamp duty treatment of service agreements under Item 22(1) of the First Schedule of the Stamp Act 1949 and the application of the Stamp Duty (Remission) Order 2021.

Amongst others, the MIRB has taken the view that the dutiable amount of a service agreement is inclusive of the applicable Sales and Service Tax.

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



Indirect Tax

Indirect Tax

Sales Tax Announcement

The RMCD has issued the following announcement:

- Effective **1 October 2026**, the scope of manufacturing activities exempted from registration is expanded to include sawmilling activities under Operation 11 **[P.U.(A) 277/2022]**. These activities are limited to primary sawmilling activities only, namely the cutting of logs into sawn timber that has not undergone further processing, and not applicable to downstream or integrated activities such as kiln-drying, treatment or preservation, planning, molding veneer, plywood, structural components, furniture, or other value added products.

  Notably, **no refund shall be allowed** to any person who has paid Sales Tax for such activities for the period prior to the effective date.

- The export period for the timber industry under Item 57 of Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 has been **extended from six (6) months to one (1) year** for export transactions involving the purchase of taxable goods from registered manufacturers.

Source for the announcement: RMCD - MySST (Announcements)

Service Tax Policies

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

- Service Tax Policy No. 5/2026 in relation to Service Tax facility on construction work services for offshore and onshore facilities, and ship-to-floating structure conversion services provided to customers outside Malaysia with effect from **1 July 2025**.

  An exemption was provided for construction work services relating to offshore and onshore facilities/ structures and the conversion of ships into floating structures supplied by Malaysian construction service providers to customers not established in Malaysia, subject to prescribed conditions. That said, any Service Tax already collected from 1 July 2025 must be remitted to RMCD and **will not be refunded.**

- Service Tax Policy No. 6/2026 (available in Malay language only) in relation to Service Tax exemption on electricity transmission and distribution services dated **1 October 2026** and subsequently **Amendment No. 1** dated **23 October 2026.**

  An exemption was provided for electricity transmission and distribution services to domestic consumers with electricity consumption of **800 kWh or less for a minimum 28-day billing cycle**, effective from **17 September 2026 to 31 December 2026.** While Amendment No. 1 was issued to bring forward the effective date to **1 September 2026**, with a refund mechanism for Service Tax paid from **1 to 16 September 2026**.

- Service Tax Policy No. 6/2024 (Amendment No. 3) (available in Malay language only) in relation to exemption from payment and imposition of Service Tax on MRO activities dated **2 November 2026** and replaces Service Tax Policy No. 6/2024 (Amendment No. 2).

  The scope of exemption is expanded to include Approved Maintenance Organisations (AMO)

approved by Directorate General Technical Airworthiness (DGTA) from **22 September 2026 to 31 December 2027**. It also clarifies that Service Tax collected before the applicable exemption effective date must be remitted to RMCD and **will not be refunded.**

- Service Tax Policy No. 3/2026 (Amendment No. 1) (available in Malay language only) in relation to Service Tax treatment on maintenance charges and sinking fund contributions for non-residential premises/ buildings imposed by developers, Joint Management Bodies (JMBs) or Management Corporations (MCs) dated 2 November 2026 and replaces Service Tax Policy No. 3/2026.

  The scope of exemption is expanded to include charges imposed by developers, in addition to JMBs and MCs registered under the Strata Management Act 2013, or any other Acts that are relevant or equivalent, effective from **1 July 2026**.

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

Public Ruling 6/2026 - Forms, Returns, Application Procedures and Payment under Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018

The RMCD has issued Public Ruling No. 6/ 2026 in relation to Forms, Returns, Application Procedures and Payment under Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018 which is effective **21 September 2026**.

Public Ruling No. 6/2026 replaces Public Ruling No. 1/2025 and updates the prescribed forms, returns, application procedures and payment methods for Sales Tax, Service Tax and Tourism Tax to reflect the latest administrative requirements.

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

Source for the Public Ruling: RMCD - MySST (Public Rulings) (Malay version)

Guide on Construction Work Services

The RMCD has issued an amended Guide on Construction Work Services (dated 17 March 2026) on 6 November 2026 to provide further clarification on the Service Tax treatment in relation to the provision of construction work services.

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

Indirect tax legislation updates

The following legislations have been gazetted:

i. Customs (Amendment) (No. 5) Regulations 2026

The Customs (Amendment) (No. 5) Regulations 2026 has been gazetted on **8 September 2026** and makes amendments to the Second Schedule,

- In Part I, in relation to customs port for Johor, by substituting for item “Pengerang/Tanjong Pengileh” and the particulars relating to it the following item and particulars:

Customs port	Description of goods	Legal landing place
Pengerang/ Tanjong Pengelih	All goods	(a) The foreshore for a distance of 91.4 meters on either side of the customs station
		(b) The wharf at Tanjong Pengelih; and

- In Part II, in relation to location for Johor, in item Johor Bahru, in column place of import and export, by substituting for the words "Tajong Putri" the words "Tanjong Putri".

ii. Customs Regulations 2019 Corrigendum

The Customs Regulations 2019 Corrigendum has been gazetted on **8 September 2026** and makes editorial amendments to the Second Schedule of the principal Regulations including corrections to the names, descriptions and particulars of customs ports and legal landing places.

iii. Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas Excluding Pulau 1 and Special Areas) (Amendment) Order 2026

The Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas Excluding Pulau 1 and Special Areas) (Amendment) Order 2026 has been gazetted, and came into operation on **25 September 2026**. The principal Order is amended in the Schedule, in item 3, by substituting for the particulars in column (1) the following particulars:

(1) Services
"Provision of accommodation premises in special areas excluding accommodation premises provided by an employer as a facility to his employees.".

iv. Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2026

The Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2026 has been gazetted, and is deemed to come into operation on **11 May 2026**. The principal Order is amended in the Third Schedule, in Part II, in relation to item 1, in column (5), in subitem C (a), by inserting after the word "affixed" the words "or printed".

v. Customs (Anti-Dumping Duties) (Expiry Review) (No.2) Order 2026

The Customs (Anti-Dumping Duties) (Expiry Review) (No.2) Order 2026 has been gazetted, and is effective for the period from **9 October 2026 to 24 March 2027**. The Schedule sets out the relevant goods subject to anti-dumping duties as follows:

(1) Heading/ Subheading Number according to H.S. Code	(2) Description of Goods	(3) Country	(4) Producer/Exporter	(5) Rate of Duties [Percentage (%) of the Cost, Insurance and Freight (CIF) Value]
7209.15.00 00 7209.16.10 00 7209.16.90 00 7209.17.10 00 7209.17.90 00 7209.18.99 00 7225.50.10 00 7225.50.90 00	Cold rolled coils of alloy and non-alloy steel of a thickness between 0.20 millimetres to 2.60 millimetres and width between 700 millimetres to 1,300 millimetres excluding tin mill black plate and imported for the purpose of automotive end usage of all grades and specifications	The People's Republic of China	(i) Bengang Steel Plates Co., Ltd.	42.08%
			(ii) BX Steel POSCO Cold Rolled Sheet Co., Ltd.	35.89%
			(iii) Jiangsu Shagang International Trade Co., Ltd.	42.08%
			(iv) Other producer or exporter	42.08%

vi. Service Tax (Digital Services) (Amendment) Regulations 2026

The Service Tax (Digital Services) (Amendment) Regulations 2026 has been gazetted, and came into operation on **28 October 2026**. The principal Regulations is amended in Regulation 16 with updates to the electronic filing and payment rules for foreign registered persons by updating the time for submission and payment to any time except during system maintenance, prescribing Malaysian Standard Time (UTC/GMT +8) for determining time of receipt, and clarifying that **filing and payment deadlines remain unchanged even where they fall on a Malaysian or overseas holiday**.

vii. Customs Duties (Amendment) Order 2026

The Customs Duties (Amendment) Order 2026 has been gazetted, and came into operation on **1 November 2026**. The principal Order is amended in the First Schedule, in relation to subheading 7115.90.10 00, in column (5), by substituting for the words "10%" the words "0%".

Source for the legislations: Federal Legislation Portal of Malaysia

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

	Reference
CGT	Capital gains tax
FAQs	Frequently asked questions
MDEC	Malaysia Digital Economy Corporation
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
RMCD	Royal Malaysian Customs Department
SFZ	Special Financial Zone
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

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

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

© 2026 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

www.kpmg.com.my/Tax

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.