



MOORE Advent

TAX FLASH

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LEGEND

ACA	Accelerated Capital Allowance
DGIR	Director General of Inland Revenue
DGRMC	Director General of Royal Malaysian Customs
CA	Capital Allowance
CGT	Capital Gains Tax
FAQ	Frequently Asked Questions
IBA	Industrial Building Allowance
ICT	Information and Communication Technology
IRB	Inland Revenue Board
ITA 1967	Income Tax Act 1967
LBATA 1990	Labuan Business Activity Tax Act 1990
LLP	Limited Liability Partnership
MIDA	Malaysian Investment Development Authority
MITI	Ministry of Investment, Trade and Industry
MOF	Ministry of Finance
MOTEC	Ministry of Tourism, Arts and Culture
MSME	Micro, Small and Medium Enterprise
PIA 1986	Promotion of Investments Act 1986
PR	Public Ruling
RA	Reinvestment Allowance
RMCD	Royal Malaysian Customs Department
RPGT	Real Property Gains Tax
RPGT Act 1976	Real Property Gains Tax Act 1976
SA 1949	Stamp Act 1949
SC	Securities Commission
TP	Transfer Pricing
WT	Withholding Tax
YA	Year of Assessment

Finance Act 2025 and Measures for the Collection, Administration and Enforcement of Tax Act 2025

The following Act has been gazetted and published on 31st December 2025 with no material difference from the respective Bills 2025:-

- *Finance Act 2025*
- *Measures for the Collection, Administration and Enforcement of Tax Act 2025*



PR No. 4/2025 – Notification of Change of Accounting Period of a Company / LLP / Trust Body / Co-operative Society

The IRB has recently issued the *PR No. 4/2025 – Notification of Change of Accounting Period of a Company / LLP / Trust Body / Co-operative Society*, which provides updates on the tax treatment on the notification of change in accounting period with latest legislative changes. This PR replaces the PR No. 6/2021 issued on 29th December 2021.

The salient updates of the PR include:-

- The PR is updated to include the revision of estimate of tax payable in the eleventh month of the basis period.
- The exemption criteria for submitting CP 204 has been updated such that, with effect from YA 2024, a newly commenced company with paid-up capital not exceeding RM2.5 million is required to submit Form CP204 if 20% or more of its ordinary share of paid-up capital at the beginning of the basis period for a year of assessment is directly or indirectly owned by one or more companies incorporated outside Malaysia or by one or more individuals who are not citizens of Malaysia.
- In line with Section 107C(11C) of the ITA 1967, a company, LLP, trust body or co-operative society that derives gains or profit from the disposal of capital assets is not subject to estimate of tax payable.

Note: For further information relating to the PR 6/2021 - Notification of Change of Accounting Period of a Company / LLP / Trust Body / Co-operative Society, kindly refer to our [Tax Flash – January 2022 Issue](#).

PR No. 5/2025 – Construction Contracts

The IRB has recently issued the [PR No. 5/2025 – Construction Contracts](#) to replace the previous PR No. 2/2009 dated 22nd May 2009. The new PR explains the basis in determining the gross income for the purpose of ascertaining adjusted income derived from the business of construction contracts.

The salient updates of the PR include:-

- Where the actual gross profit of a construction contract is lower than the estimated gross profit, or where the contract results in an actual loss, the actual gross profit or loss may be apportioned to the basis period in which the contract is completed and to the preceding basis periods, and the relevant assessments for the prior years of assessment may be reviewed. The updated PR has added that where there are no tax implications for all the relevant years of assessment, the taxpayer may choose not to review the prior years' assessments.
- Effective YA 2023 and in line with the Practice Note ["PN"] No. 1/2024 – Tax Treatment on the Recognition of Actual Gross Profit or Loss from a Construction Contract, in the case where the final account of the contract is finalised after the basis period in which the construction contract is deemed to have been completed, the construction contractor shall ascertain and recognise the actual gross profit or loss in a basis period in the earlier of the following periods:-
 - 12 months after the date of completion of the construction contract; or
 - the date when the final accounts of the construction contract is agreed between the contractor and the client.

The above treatment is illustrated in Examples 19 and 20 of the PR.

Note: For further information on the PN No. 1/2024 issued by the IRB previously, kindly refer to our [Tax Flash - May 2024](#) issue.

PR No. 6/2025 – Taxation of Income from Employment on Board a Ship

The IRB has recently issued the *PR No. 6/2025 – Taxation of Income from Employment on Board a Ship*, which provides updates on the tax treatment of the income of an individual derived from an employment exercised on board a ship. This new PR replaces the PR No. 1/2023 issued on 3rd October 2023 with some clarifications and updated examples.

The salient updates of the PR include:-

- The updated PR streamlines the definition of a seagoing ship by removing the reference to “Malaysian waters” and clarifies that a ship that does not sail beyond the port limit is not considered as a seagoing ship.
- Example 1 of the updated PR has been refined to clarify that the decisive factor in determining whether a ship considered as a seagoing ship is whether its voyage exceeds the port limits as prescribed under the relevant port by-laws.

Note: For further details relating to the previous PR No. 1/2023 – Taxation of Income from Employment on Board a Ship, kindly refer to our *Tax Flash – November 2023* issue.

PR No. 7/2025 – Taxation of a Resident Individual Part I – Gifts or Contributions and Allowable Deductions

The IRB has recently issued the *PR No. 7/2025 – Taxation of a Resident Individual Part I – Gifts or Contributions and Allowable Deductions*, which provides updates on the tax treatment on gifts or contributions as well as deductions that are allowable to a resident individual in computing his total / chargeable income effective YA 2025. This new PR replaces the PR No. 4/2024 issued on 27th December 2024 mainly to incorporate the changes from YA 2025 onwards.

The salient updates of the PR include:-

- **Expansion of Scope of Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents**

The allowable deduction of up to a maximum of RM8,000 which can be claimed by an individual on the expenses incurred by him for the medical treatment, dental treatment, complete medical examination, special needs or carer for his parents is expanded to include grandparents.

- **Net savings in the National Education Savings Scheme**

The tax relief of up to RM8,000 for net contributions made into the National Education Savings Scheme ["NESS"] for the YA 2025 to YA 2027 is clarified as follows:-

- The relief may be claimed only by either the husband or the wife who makes the NESS contributions, subject to a maximum claim of RM8,000, irrespective of whether the spouses are assessed jointly or separately and notwithstanding that the individual may have more than one child;
- In the case of divorced spouses, each parent is entitled to claim a maximum relief of up to RM8,000 based on their respective contributions; and
- Withdrawals made from the NESS account to finance the education costs of the children pursuing higher education (diploma level and above) shall be excluded from the computation of net savings for the relevant basis year.

- **Child Care Centre and Kindergarten Fees**

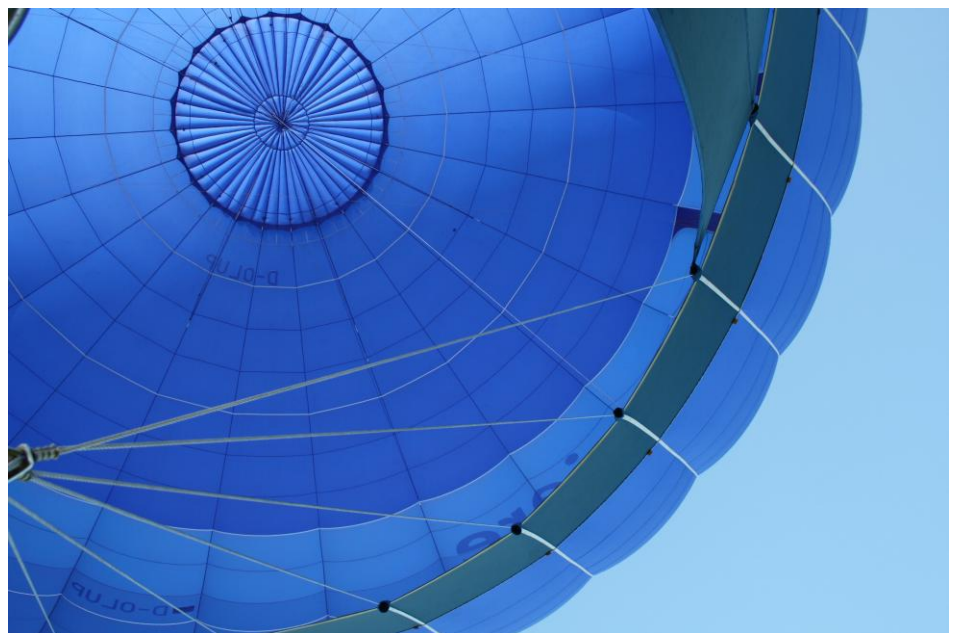
The updated PR clarifies that for childcare centre and kindergarten fees, where a divorced couple has only one child and both parents share the childcare expenses, each parent may claim the relief limited to the expended amount and not exceeding the maximum amount of RM3,000 for a year of assessment. Previously, both divorced parents were allowed to claim the relief provided the expenses were not incurred for the same child.

- **Deduction for Interest Payment on the First Residential Housing Loan**

A new paragraph 6.16 has been inserted to clarify the tax treatment for the deduction of interest payments on the first residential housing loan as follows:-

- The residential property must be the first residential property and must not be used to generate any income;
- The sale and purchase agreement must be executed from 1st January 2025 until 31st December 2027;
- The interest payment deduction is applicable for 3 consecutive years of assessment commencing from the first year the housing loan interest is paid and individuals are not allowed to select which year of assessment to claim the tax relief;
- Where 2 or more individuals are eligible to claim the tax relief on housing loan interest for the same residential property, the allowable interest deduction for each individual shall be apportioned based on the prescribed formula.

Note: For further information on the previous PR No. 4/2024, kindly refer to our [Tax Flash – February 2025](#) issue.



Updated Guidelines on Tax Treatment of Digital Currency Transactions

The IRB has recently issued the updated *Guidelines on Tax Treatment of Digital Currency Transactions* to replace the previous Guidelines issued on 26th August 2022 following the recent legislative amendments made to the ITA 1967.

The salient updates of the Guidelines include:-

- The definition of “**capital asset**” is included in the updated guidelines, which refers to:-
 - movable or immovable property situated outside Malaysia including any rights or interests thereof; or
 - movable property situated in Malaysia which is a share of a company incorporated in Malaysia not listed on the stock exchange (including any rights or interest thereof) owned by a company, LLP, trust body or co-operative society.
- “**Digital token**” is now defined as a digital representation recorded on a distributed digital ledger whether cryptographically-secured or otherwise, but does not include:-
 - debentures, stocks or bonds issued or proposed to be issued by any government;
 - shares in or debentures of, a body corporate or an unincorporated body; or
 - units in a unit trust scheme or prescribed investments,
 and includes any right, option or interest in respect thereof.
- Effective 1st January 2024, CGT shall be imposed on the gains or profits from the disposal of capital assets situated in or outside Malaysia, or on the disposal of shares under Section 15C of the ITA 1967 by companies, LLPs, trust bodies and co-operative societies under Section 4(aa) of the ITA 1967.
- The tax treatment differs depending on whether the capital assets are situated in Malaysia or outside Malaysia, as outlined below:-
 - In respect of movable property situated in Malaysia, the scope of CGT is currently limited to the disposal of unlisted shares in companies incorporated in Malaysia. As such, capital gains derived from the disposal of digital currency, which do not constitute revenue in nature under Section 4(a) of the ITA 1967 are not be subject to CGT.
 - For capital assets in the form of movable and immovable property situated outside Malaysia, capital gains from the disposal of such property by a company, LLP, trust body and co-operative society are subject to CGT if the gains are remitted into Malaysia. However, such gains may be exempted from tax if the specified conditions are met.

Note: For further details, kindly refer to our *Tax Flash – October 2022* and *Tax Flash – May 2024 (Special Edition)* issues.

Guidelines on Capital Gains Tax Exemption for Restructuring Scheme under the P.U.(A) 289/2024

The IRB has recently issued the *Guidelines on Capital Gains Tax Exemption for Restructuring of Company Scheme under the P.U.(A) 289/2024* (in Bahasa Malaysia) on 19th December 2025 to provide clarification in relation to the CGT exemption on the gains or profits from the disposal of shares under a scheme for restructuring of companies in the same group to increase operational efficiency.

The salient points of the Guidelines include:-

- Pursuant to the P.U.(A) 289/2024 [*Income Tax (Restructuring of Companies Scheme) (Exemption) Order 2024*] dated 8th October 2024, gains or profits from the disposal of unlisted shares under a scheme for restructuring of companies within the same group are exempted from CGT.
- The disposer of the unlisted shares for restructuring purposes is required to submit the e-CKM Form and pay the full amount of CGT within 60 days from the date of disposal.
- Application for exemption will only be submitted after 3 years from the date of disposal of shares.
- The exemption must be applied for in writing and supported by relevant information and documentation (refer item 5.3 of the Guidelines).
- The Guidelines also provided detailed explanation and various examples which illustrate the justification of increased efficiency, application procedure for exemption as well as the determination of the amount or value of the acquisition consideration for subsequent disposal of shares when the initial disposer has obtained the CGT exemption under P.U.(A) 289/2024.

Note: For further details, kindly refer to our *Tax Flash – October 2022* and *Tax Flash – May 2024 (Special Edition)* issues.



Malaysian Income Tax Reporting System - Updated Frequently Asked Questions

The IRB has recently updated the [FAQ](#) on the submission of documents prescribed under Section 82B through the Malaysian Income Tax Reporting System ["MITRS"], providing the latest guidance on the required information and supporting documents.

The salient updates of the FAQ include:-

- Application for an extension of time is not permitted for the submission of documents specified under Section 82B.
- The number of documents that may be uploaded is limited to 1 document for each field, with total file size not exceeding 20MB per taxpayer per year of assessment.
- The incentive claims are intended to cover incentive claims in items D1 to D4 of the tax return (Form C and Form PT), covering the following incentives:-
 - special deduction, further deduction and double deduction (item D1);
 - incentives under Section 127(3)(b) (item D2);
 - incentives under Section 127(3A) (item D3); and
 - other incentives under the ITA 1967 or PIA 1986 not included in items D1–D3 (item D4).
- Where special deduction claims involve only item D1 with no detailed calculations, or where the complete schedule of capital allowance and complete calculation of incentives claimed are already incorporated within the income tax computation, taxpayers may select "Yes – Document already exists" under the income tax computation category, and no need to upload the document separately.
- The Detailed Income Statement is still required to be uploaded together with the Audited Financial Statements in the designated MITRS section, even if it is already included within the income tax computation.

Updated E-Invoice Guidelines and General Frequently Asked Questions

The IRB has issued the following documents pertaining to the implementation of e-Invoice:-

- *Updated e-Invoice Guidelines dated 7th December 2025 [Version 4.6];*
- *Updated e-Invoice Specific Guidelines dated 7th December 2025 [Version 4.5]; and*
- *Updated General FAQ dated 10th December 2025.*

The salient updates of the above documents include:-

- The exemption threshold for taxpayers (including MSME) has increased, with the annual turnover or revenue limit revised from less than RM500,000 to less than RM1 million.

Further to the *IRB's Media Release dated 5th January 2026*, the following documents have been updated:-

- *Updated e-Invoice Specific Guidelines dated 5th January 2026 [Version 4.6]; and*
- *Updated General FAQ dated 5th January 2026.*

The salient updates of the above documents include:-

- The interim relaxation period for Phase 4 has been extended until 31st December 2026.
- The restriction on issuing consolidated e-Invoices has been lifted for wholesalers and retailers of construction materials.



Concession on Stamp Duty Penalties for the First Year of Stamp Duty Self-Assessment System

In line with the implementation of Phase 1 of the Stamp Duty Self-Assessment System ["STSDS"] commencing on 1st January 2026, the IRB has issued a [Media Release](#) on 21st December 2025 announcing that no penalty will be imposed for the first year of implementation.

The salient updates of the Media Release include:-

- For the period from 1st January 2026 to 31st December 2026, no stamp duty penalties will be imposed on instruments stamped under the STSDS for offences relating to submission of an incorrect stamp duty return or the provision of incorrect or inaccurate information affecting the chargeability of stamp duty.
- This concession also applies to offences under Section 72D(2) of SA 1949 relating to incorrect stamp duty return or the provision of incorrect or inaccurate information, identified through audit findings within the concessionary period.



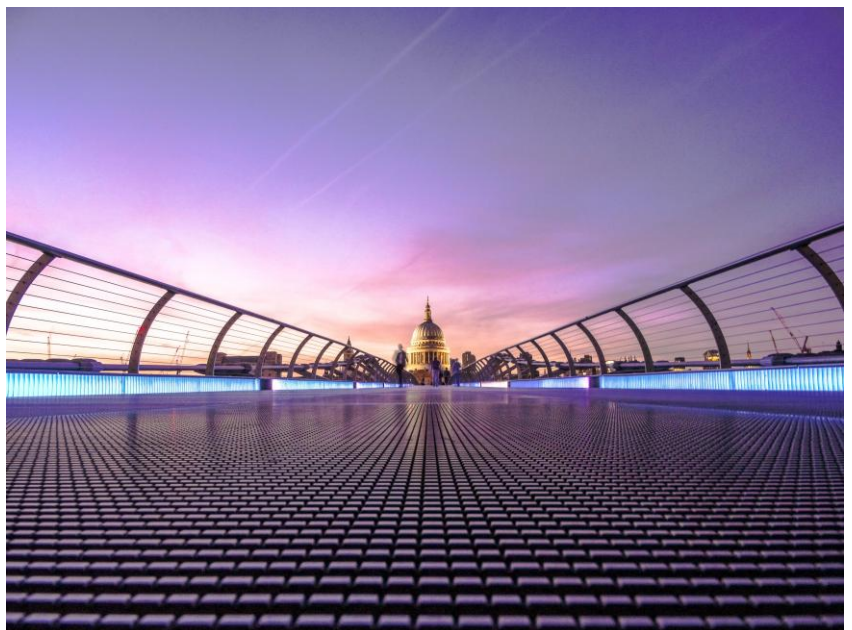
Guide on Brokerage (Financial and Non-Financial) and Underwriting Services

The RMCD has published the *Guide on Brokerage (Financial and Non-Financial) and Underwriting Services* dated 29th December 2025 (in Bahasa Malaysia). The guide sets out the service tax treatments for financial and non-financial brokerage and underwriting services.

Sales Tax (Imposition of Sales Tax in respect of Designated Areas) (Amendment) Order 2025

The *Sales Tax (Imposition of Sales Tax in respect of Designated Areas) (Amendment) Order 2025* has been gazetted on 31st December 2025 and took effect on 1st January 2026. The imposition of sales tax has been extended to include the following motor vehicles imported or transported into Labuan or Langkawi:-

- Completely built-up motor vehicles (tariff code headings 87.03 and 87.11) with a cost, insurance and freight ["CIF"] value exceeding RM300,000; and
- Motor vehicles manufactured in the principal customs area (tariff code headings 87.03 and 87.11) with a selling price exceeding RM300,000, excluding excise duties, sales tax, motor vehicle licence fee and motor vehicle insurance.



Updated Policy Notice Relating to Sales Tax and Service Tax

Subsequent to the announcement made by the Finance Minister on 5th January 2026, the MOF has issued an *Updated Policy Notice Relating to Sales Tax and Service Tax* (in Bahasa Malaysia). The salient points are summarised as follows:-

- Rental or leasing services:-
 - Effective 1st January 2026, the service tax rate will be reduced from 8% to 6%;
 - The annual sales threshold for MSMEs tenants who are eligible for exemption from payment of service tax will be increased from RM1 million to RM1.5 million; and
 - Newly incorporated MSMEs will be granted a service tax exemption on rental or leasing services for a period of 1 year starting from the date of its registration.
- Effective 1st January 2026, sales tax on critical raw materials or inputs used by registered manufacturers, particularly for the production of goods in the livestock and agricultural sectors will be exempted from sales tax. The exemptions cover animal feed, fertilisers and pesticides.
- Service tax exemption for construction contracts signed before 1st July 2025 that qualify as non-reviewable contracts will be extended for another year, until 30th June 2027.
- Construction services for places of worship such as surau, mosques, temples, churches and shrines will be exempted from service tax, effective 1st July 2025.

Please note that the relevant statutory orders to give effect to the above proposals have not been issued as at the date of this publication.



Service Tax Policy No. 3/2025 (Amendment No. 2) – Construction Works Services

The RMCD has published the [Service Tax Policy No. 3/2025 \(Amendment No. 2\) – Construction Works Services](#) dated 31st December 2025 (in Bahasa Malaysia). In line with the announcement made by the Finance Minister, the following changes have been reflected in this policy:-

- Construction of places of worship and public facilities related solely to worship purposes is exempted from service tax, subject to the following conditions:-
 - The construction service provider is a registered person for service tax purposes under Group L;
 - The construction contract clearly states that the project is a construction project for a place of worship;
 - The construction work must have obtained the relevant documents such as a planning permission letter approved by the Local Authority, pre-com plan and any other relevant documents related to the construction project for the place of worship;
 - Construction of commercially based non-residential buildings (additional construction) within the same area as an existing place of worship (for instance, shop lots) is not eligible for this exemption;
 - For places of worship that are developed together with a commercial building (i.e. within the same building or the same area), a separate application for exemption must be submitted to the Tax Division of MOF; and
 - The Director General of RMCD may prescribe any operational conditions through Public Rulings or Guidelines in relation to the service tax exemption on the construction of places of worship.

- Renovation works on non-residential buildings that are converted into places of worship will be exempted from service tax, subject to the following conditions:-
 - The construction service provider is a registered person for service tax purposes under Group L;
 - The construction contract clearly states that the construction works are for the renovation of a place of worship and is supported by relevant documents evidencing that the renovated building is for worship purposes;
 - Non-residential spaces/buildings that have already been completed (whether or not a Certificate of Completion and Compliance has been obtained) and were previously subject to service tax on construction works are not eligible for any refund of service tax even though the buildings are subsequently converted into places of worship;
 - Renovation works on completed (existing) non-residential buildings that are converted into places of worship are eligible for the service tax exemption;
 - Construction works involving the extension or addition of a place of worship to an existing non-residential building structure are eligible for service tax exemption; and
 - The Director General of RMCD may prescribe any operational conditions through Public Rulings or Guidelines regarding the exemption of service tax on the construction of places of worship.

Note: For further details, kindly refer to our [Tax Flash – November 2025](#) issue.

ABOUT US

Moore Global Network Limited ["MGNL"] is a prominent accounting and consulting network with over 37,000 professionals operating in more than 110 countries worldwide. Moore Malaysia is an independent firm proudly associated with MGNL and **Moore Advent Tax Consultants Sdn Bhd**, being the tax division of Moore Malaysia, offers a wide range of tax services which can be categorised into the following:-

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