



MOORE Advent

TAX FLASH

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PR No. 2/2025 – Group Relief for Companies

Effective year of assessment [“YA”] 2006, group relief is available to all companies incorporated and resident in Malaysia, subject to the terms and conditions as provided under Section 44A of the Income Tax Act 1967 [“ITA 1967”]. The Inland Revenue Board [“IRB”] has recently issued the [Public Ruling \[“PR”\] No. 2/2025 – Group Relief for Companies](#), which provides updates on the tax treatment of group relief with latest legislative changes. This PR replaces the PR No. 6/2016.

The salient updates of the PR include:-

- i. The new PR introduces new guidance on the time limit on surrendering adjusted business losses for group relief purposes. Effective YA 2019, a surrendering company that has just commenced operations may only surrender its current year adjusted business losses to a claimant company for a maximum of 3 consecutive years of assessment. The 3-year of assessment time limit for surrendering current year adjusted business losses begins:-
 - Immediately after the basis period for the first year of assessment in which the surrendering company commenced operations, provided that the basis period covers 12 months; or
 - Immediately after the second basis period in which the surrendering company first commenced operations, if the basis period for first year of assessment is less or more than 12 months, and the second basis period covers 12 months.

Illustrative examples have been included to further clarify the application of this time limit.

- ii. The 3-year time limit is computed from the year of assessment in which the surrendering company first commences “operations”. For this purpose, the definition of “operations” has been inserted into the PR, aligning with the definition used in determining the basis period for a company, limited liability partnership, trust body, or co-operative society as follows:-
 - An activity which consists of the carrying on of a business;
 - An activity which consists wholly in the making of investments;
 - An activity which consists of both the carrying on of a business and the making of investments; and
 - An activity which consists of the making of investments prior to the commencement of a business or after the cessation of a business.
- iii. Effective YA 2019, a surrenderer or claimant company who has unutilised investment tax allowances or unabsorbed pioneer losses after the expiry of the incentive period, is not eligible for group relief. A new Example 21 has been introduced to demonstrate the non-eligibility for group relief.

Tax Deduction for Expenditure on Issuance or Offering of Sustainable and Responsible Investment Sukuk

Following the Budget 2024 proposal to extend the tax deduction for the issuance of Sustainable and Responsible Investment [“SRI”] Sukuk, the [Income Tax \(Sustainable and Responsible Investment Sukuk\) Rules 2025](#) [“the new SRI Rules”] have now been released.

The new SRI Rules are broadly aligned with the Income Tax (Deduction for Expenditure on Issuance or Offering of Sustainable and Responsible Investment Sukuk) Rules 2017, with several notable updates.

1. Eligibility Criteria

- i. A company resident and incorporated in Malaysia under the Companies Act 2016.
- ii. A company resident and incorporated in Malaysia under the Labuan Companies Act 1990.

2. Allowable Tax Deduction

- i. A deduction is allowed for expenditure incurred by a qualifying company on the issuance or offering of an SRI *Sukuk*.
- ii. Under the new SRI Rules, the amount of expenditure is to be reduced by any tax exemption granted under Section 127(3A) of the ITA 1967 in respect of a grant to finance external review expenditure for the issuance or offering of the SRI *Sukuk*.
- iii. “**External review expenditure**” is defined under the new SRI Rules as the cost of engaging an external reviewer to assess and report on:-
 - Whether the project financed by the SRI *Sukuk* meets the eligibility criteria set out in the guidelines relating to *sukuk* issued by the Securities Commission [“SC”]; and
 - Compliance with requirement under the guidelines relating to *sukuk* issued by the SC.

3. Conditions for SRI *Sukuk*

- i. Must be approved, authorised, or lodged with the SC and issued or offered in accordance with the guidelines relating to *sukuk* issued by the SC under the Capital Markets and Services Act 2007.
- ii. 90% of the proceeds raised from the issuance or offering of SRI must be utilised solely for funding the SRI Project specified under the SC’s guidelines relating to *sukuk*.

The above Rules shall have effect from the YA 2024 to YA 2027.

Introduction of e-Kompaun via MyTax Portal

In support of the 13th Malaysia Plan and the nation’s digital transformation agenda, the IRB has issued a [Media Release](#) announcing the launch of “e-Kompaun” system that can be accessed by employers and corporate taxpayers via MyTax Portal. This initiative aims to streamline and enhance the tax compliance process by providing a more convenient and efficient platform for taxpayers and employers.

Through the “e-Kompaun” system, employers and corporate taxpayers can check, submit application and make payments for compounds. The system covers offences for late payment of Monthly Tax Deduction or monthly instalments via Form CP 38, as well as late or non-submission of estimated tax payable. Previously, taxpayers were required to visit the IRB branch in person to obtain the compound bill following the receipt of Notice of Prosecution Action by post. With this digital enhancement, Notice of Prosecution Action is accessible online, and compound applications can be submitted directly through the MyTax portal.

Service Tax Policy No. 1/2025 (Amendment No. 1) – Financial Services

The Royal Malaysian Customs Department [“RMCD”] has republished the [Service Tax Policy No. 1/2025 \(Amendment No. 1\) – Financial Services](#) dated 30th July 2025. One of the notable amendments is that the wording “Corporate Banking Advisory Services” in paragraph 1.2 of Appendix A has been amended to “Corporate Banking Services”.

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

Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2025

The [Sales Tax \(Persons Exempted from Payment of Tax\) \(Amendment\) Order 2025](#) has been gazetted on 29th August 2025 and took effect from 1st September 2025.

User Manual for Online Return and Payment Submission (Expansion Scope of MySST)

The RMCD has published the *User Manual for Online Return and Payment Submission (Expansion Scope of MySST)* on 3rd September 2025 in which detailed steps and explanations are provided therein.

PR No. 1/2025 – Form, Return, Application and Payment Methods under the Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018

The RMCD has published the *Form, Return, Application Procedure and Payment Methods under the Tourism Tax Act 2017, Sales Tax Act 2018 and Service Tax Act 2018* dated 18th August 2025 (in *Bahasa Malaysia*).

Guide on Passenger Vehicle Hiring Services

The RMCD has published the *Guide on Passenger Vehicle Hiring Services* dated 30th June 2025 (in *Bahasa Malaysia*). The salient points extracted from the guide are as follows:-

- The service tax treatment on the passenger vehicle hiring services mentioned in the guide only applies until 30th June 2025.
- Effective 1st July 2025, passenger vehicle hiring services have been moved from Item 7 of Group I to the First Schedule of the Service Tax Regulations 2018 [“SET Regulations”] to Group K to the First Schedule of the SET Regulations.

Guide on Clubs etc. under Groups C, D and E to First Schedule of the SET Regulations

The RMCD has published the *Guide on Clubs etc. under Groups C, D and E to First Schedule of the SET Regulations* dated 4th September 2025 (in *Bahasa Malaysia*). The salient points extracted from the guide are as follows:-

- The definition of “wellness centre” has been redefined as a premise that provides services supporting the well-being of body or mind for the purpose of maintaining, restoring or improving a person’s physical, mental and emotional well-being, **excluding beauty treatment services**. The types of services provided by a wellness centre include the following:-
 - Postpartum and infant care and treatment of mothers; or
 - Wellness care relating to the care of the elderly.
- Beauty treatment services provided by beauty centres for treatment of body or any part of the body, face or hair intended to treat or restore the skin of the body or face using any material or equipment are not subject to service tax. Examples include:-
 - hydrotherapy of the body or any part of the body;
 - any slimming treatment;
 - hairdressing;
 - finger or nail treatment for the hands or feet;
 - sauna;
 - herbal, milk or flower bath;
 - tattooing; or
 - spa.

SST-02 Return and Guidelines on SST-02 Return (Manual Submission)

The RMCD has published the amended version of the *SST-02 Return* and *Guidelines on SST-02 Return (Manual Submission)* dated 10th September 2025 (in *Bahasa Malaysia*). The salient points extracted from the guide are as follows:-

For Service Tax

- A registered person under Group K – Rental or Leasing Services who fails to comply with the pre-requisite conditions of the business-to-business [“B2B”] exemption is required to account for the service tax in Column 6 of the SST-02 return.
- A registered person must report the value of the exempted taxable services in the following columns of the SST-02 return:-
 - Column 18(c)(1) for B2B exemptions;
 - Column 18(c)(2) for group relief; and
 - Column 18(c)(3) for other exemptions under Section 34(3)(a) of the Service Tax Act 2018.
- A registered person must report the value of non-taxable services provided in Column 18(d) of the SST-02 return. [Commentary: It should be noted that the current SST-02 return does not require service tax registrants to disclose the total value of non-taxable services. Accordingly, registered persons who are involved in both the sale of goods and the provision of services may need to review the tax codes within their accounting systems and remap the relevant revenue streams to ensure accurate data consolidation and reporting in this newly added column.]

For Sales Tax

- A registered manufacturer must report the amount based on the information from the Sales Tax Deduction in Column 13(b) of the SST-02 return.
- A registered manufacturer must report the value of sales tax exempted under Section 35(3) and/or Section 61A of the Sales Tax Act 2018 in Column 18(e) of the SST-02 return.

For Both Service Tax and Sales Tax

- The tax amount of credit notes declared in Column 13(a) of the SST-02 return must correspond to the date on which the credit notes are issued.
- The Column 13(d) of the SST-02 return must be completed with the tax value for bad debt relief after the application has been approved by RMCD.

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