



MOORE Advent

TAX FLASH

May 2026



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LEGEND

ACA	Accelerated Capital Allowance
DGIR	Director General of Inland Revenue
DGCE	Director General of Customs and Excise
CA	Capital Allowance
CA 2016	Companies Act 2016
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
MOTAC	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

PR No. 2/2026 – Tax Treatment of Foreign Nationals Exercising Employment in Malaysia

The IRB has recently issued the [PR No. 2/2026 – Tax Treatment of Foreign Nationals Exercising Employment in Malaysia](#), which provides updated guidance on the tax treatment of employment income derived by foreign nationals exercising employment in or seconded to Malaysia. This new PR replaces the previous PR No. 8/2011 issued on 6th November 2011 with some clarifications, enhancements and updated examples.

The salient points of the PR include:-

i. Tax Treatment of Foreign Nationals Seconded to Malaysia

- The PR refines the explanation of double taxation by clearly defining it as a situation where the same income is subject to tax in two countries in the hands of the same taxable person.
- The availability of relief from double taxation is subject to the relevant terms and conditions stipulated in the applicable Agreements for the Avoidance of Double Taxation ["DTAA"].
- Where Malaysia has entered into a DTAA with the relevant contracting state, relief from double taxation may be granted by way of bilateral tax credit pursuant to Section 132 of the ITA 1967.
- Where no DTAA is in force between Malaysia and the relevant foreign jurisdiction, relief may be granted by way of unilateral tax credit pursuant to Section 133 of the ITA 1967, where such relief can only be claimed for income derived from outside Malaysia that is subject to foreign tax.

ii. Filing of Income Tax Return Forms

- The PR has been updated to clarify that the 60-day tax exemption for employment exercise in Malaysia under Paragraph 21, Schedule 6 of the ITA 1967 is not granted automatically. The individuals are required to claim the exemption and substantiate their eligibility upon submission of their income tax return.

iii. Effective Date

- This PR has effect from YA 2025 onwards.

Updated Guidelines on Application for Approval of the DGIR for Contribution to Schools under Section 44(6) of the ITA 1967

The IRB has recently issued the *Guidelines on Application for Approval of the DGIR for Fund Established for Contribution to Schools (Tabung Sumbangan Wang Awam Sekolah [“TSUWAS”])* under Section 44(6) of the ITA 1967 (in Bahasa Malaysia) to replace the previous Guidelines issued on 28th April 2021.

The Guidelines provide guidance on the procedures for applying for approval from the DGIR under Section 44(6) of the ITA 1967 for TSUWAS.

The salient updates of the Guidelines include:-

- The issuance or use of electronic receipts (e-Receipts) is subject to prior approval and authorisation from the DGIR, which must be obtained through a formal written application.
- Implementation of e-Invoicing
 - The implementation of e-Invoicing applies to an approved TSUWAS for transactions involving the receipt of donations or monetary gifts and will be carried out in phases according to the mandatory implementation timeline stipulated in the e-Invoice Guidelines.
 - Where the donor requests an e-Invoice, the approved TSUWAS is required to issue an e-Invoice for the receipt of donations or monetary gifts. The issuance of an official receipt is no longer required, and prior approval from the DGIR is not necessary provided that the e-Invoice complies with the prescribed specifications.
 - Where the donor does not request an e-Invoice, the approved TSUWAS is required to issue a preprinted official receipt and aggregate all donations or monetary gifts transactions on a monthly basis to issue a consolidated e-Invoice within seven (7) calendar days of the following month.
 - For donors who do not provide sufficient information to facilitate the issuance of an e-Invoice, the relevant transaction is required to be included in a consolidated e-Invoice.
 - For the issuance of an e-Invoice (including a consolidated e-Invoice), the details stated in the “Description of Product or Service” field must correspond with the approval details reflected in the preprinted official receipt issued under Section 44(6) of the ITA 1967.
 - Effective 1st January 2026, donors making donations or monetary gifts exceeding RM10,000 in a single transaction are required to provide complete information in accordance with Appendix 1 of the e-Invoice Guidelines.

Note: For further information on the previous Guidelines, kindly refer to our *Tax Flash – July 2021* issue.

ACA for ICT Equipment and Development Cost of Customised Computer Software for the Implementation of E-Invoicing

Following the 2024 Budget announcement, the following Rules have been gazetted:-

- *Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoice) Rules 2026*
- *Income Tax (Accelerated Capital Allowance) (Development Cost for Customised Computer Software for the Implementation of Electronic Invoice) Rules 2026*

Salient points of the above Rules include:-

- ACA rates on the capital expenditure incurred for the implementation of e-Invoicing are as follows:-

Qualifying Expenditure	ACA Rates
Purchase of ICT equipment including installation costs	Initial Allowance : 20% Annual Allowance : 40%
Development cost for customised computer software including any consultation fee, payment for rights of software ownership and incidental fees	

- Eligibility conditions are as follows:-
 - comply with the prescribed timeline for the implementation of e-Invoicing;
 - have not been granted any flexibility in relation to the issuance of e-Invoice under the Guidelines issued by the IRB;
 - comply with e-Invoice issuance requirements as specified in the guidelines issued by the IRB; and
 - the business must be registered with the Companies Commission of Malaysia, business registration body, local authority or statutory body.
- The above Rules shall have effect from the YA 2024 to YA 2027.

Note: For further information, kindly refer to *Tax Flash – October 2024 (Special Edition)* and *Tax Flash – November 2024 (Special Edition)* issues.

Tax Incentive for Tour Operators

Following the Budget 2026 announcement, the *Income Tax (Tour Operator Company) (Exemption) Order 2026* has been gazetted to provide tax exemption on the incremental income derived from inbound tourism packages.

The salient points of the Exemption Order include:-

- Licensed tour operators who are resident in Malaysia and incorporated under the CA 2016 are given 100% tax exemption on the incremental income derived from inbound tourism packages subject to the condition that the total number of foreign tourists is not less than 1,000 persons for a year of assessment.
- The total number of foreign tourists shall be verified in writing by an authorised officer of MOTAC.
- The incremental income refers to the difference between the business income derived from the operation of inbound tourism packages within Malaysia during the year of assessment and the business income from the immediately preceding year of assessment.
- The Exemption Order shall have effect from the YA 2026 to YA 2027.

Note : For further information, kindly refer to our *Tax Flash – November 2025 (Special Edition)* issue.



Tax Incentives for New Investment in the Manufacturing Sector under the New Incentive Framework

The IRB has recently issued the *Guidelines of Tax Incentive for New Investment in the Manufacturing Sector under the New Incentive Framework* ["NIF"] together with the related *FAQ*, which provide clarity and comprehensive guidance on the implementation of the NIF as introduced in the National Budget 2026.

The NIF represents a significant reform of Malaysia's investment incentive regime, introducing a tiered and outcome-based approach to align the investment incentives with Malaysia's strategic economic priorities, particularly under the National Investment Aspirations ["NIA"] and the New Industrial Master Plan 2030.

Malaysia Digital Economy Corporation has also issued an *announcement on the NIF* assuring all Malaysia Digital companies that the tax incentive approvals granted under the existing framework will continue to be honoured in accordance with their approved terms and conditions.

The salient updates of the Guidelines and FAQ include:-

i. Implementation of New Investment Framework

The implementation for manufacturing section will take effect from 1st March 2026, followed by the services sector in second quarter of 2026, with the actual implementation date for services sector to be announced separately.

ii. Types of Tax Incentives

The tax incentive under the NIF offers two tax incentives which are mutually exclusive:-

- Special Tax Rate ["STR"]
 - A reduced corporate income tax rate on taxable income for a specific period.
 - During the STR period, losses can be carried forward for seven (7) consecutive years and deducted from the post-incentive income.
- Investment Tax Allowance ["ITA"]
 - A capital expenditure-based incentive that allows a company to offset a percentage of its granted qualifying capital expenditure against its statutory income ["SI"].
 - Any unutilised allowance can be carried forward to subsequent years until fully utilised.

iii. The Incentive Schemes

Types of Investment	STR	ITA
New Investment	0% to 10% for a period of up to 15 years	100% ITA offset between 70% to 100% of SI for a period of up to 15 years
Less Developed Area ["LDA"] *	0% to 15% for a period of up to 15 years	
Small Companies **	3% to 12% for a period of up to 15 years	

* LDA refers to districts with economic, social, and spatial development below the overall median score in the Indeks Komposit Pembangunan Malaysia.

** Small Companies refer to:-

- Companies with shareholders' funds of up to RM500,000 with at least 60% Malaysian equity; or
- Companies with shareholders' funds of above RM500,000 and not exceeding RM2.5 million with 100% Malaysian equity; and
- 20% and above of the paid-up capital in respect of ordinary shares of the company cannot be owned directly or indirectly by a parent / related company having shareholders' funds of more than RM500,000 or RM2.5 million.

iv. Eligible Applicants – Manufacturing Sector

New Company

- A newly incorporated company under the CA 2016 and resident in Malaysia or a company that has not commenced any commercial operations.
- A company which:-
 - does not have any related entity in Malaysia prior to the submission of the application; or
 - has related any entity in Malaysia and the entity is undertaking activities or projects that are different from the proposed project.
- The company has a valid manufacturing licence under Industrial Co-ordination Act 1975 ["ICA 1975"] throughout the incentive period.
- The company meets the general criteria and sector-specific requirements (where applicable) as listed in Appendix 1 of the Guidelines.

Existing Company

- A company incorporated under the CA 2016 and resident in Malaysia.
- A company which is already operating in Malaysia carrying on a different project in Malaysia.
- The company has a valid manufacturing licence under ICA 1975 throughout the incentive period.
- The company meets the general criteria and sector-specific requirements (where applicable) as listed in Appendix 1 of the Guidelines.

Eligible Manufacturing Subsectors

- Undertaking manufacturing activities within the fifteen (15) eligible subsectors as set out in paragraph 3.5 of the Guidelines (including electrical and electronics, chemicals, pharmaceuticals, medical devices, aerospace, automotive, among others).
- Company producing biotechnology-based products or recycled products may apply within the 15 subsectors.

v. NIA Scorecard Evaluation for Manufacturing Sector

The NIA Scorecard consists of several performance indicators categorised into the following six (6) strategic pillars:-

- Increase economic complexity;
- Creating high-valued job opportunities;
- Extend domestic linkages;
- Develop new and existing industrial clusters;
- Improve inclusivity; and
- Enhance environmental, social and governance practices.

The parameters in the NIA Scorecard for the manufacturing sector are outlined in Appendix II of the Guidelines.

vi. Application Process

- **Consultation and pre-application:** Company may consult MIDA to ensure alignment with the NIF and its eligibility requirements.
- **Application submission:** Company may submit an online application through MIDA's online platform before commencement of operation for the proposed product or activity.
- **NIA Scorecard evaluation:** The application is evaluated using the NIA Scorecard, which measures the project's potential contribution to national objectives.
- **Approval-in-principle letter:** Issued upon approval, outlining the approved tax incentive, the tiering level and the compliance conditions during the incentive period.
- **Compliance and Monitoring:** The company must annually comply with the conditions in the approval-in-principle letter, with performance monitored against NIA Scorecard targets to ensure fulfilment of the NIF's outcome-based requirements.
- **Effective date of application:** Applications received by MIDA starting from 1st March 2026.



Updated Operational Guidelines on Real Property Gains Tax

The IRB has recently issued the *Operational Guidelines No. 2/2026 on Real Property Gains Tax* to replace the previous Operational Guidelines No. 1/2025 issued on 13th January 2025.

The salient updates of the Guidelines include:-

- Effective 1st January 2026, an additional option is given to the acquirer to retain and remit an amount equivalent to the deemed assessed amount to the DGIR.
- The acquirer is required to choose the following amounts to be remitted:-
 - Full amount of consideration; or
 - 3% / 5% / 7% retention sum (depending on the category of disposer); or
 - Amount equivalent to the deemed assessed tax (if notified by the disposer before the remittance is made)
 whichever is lower.
- Filing and assessment updates:-
 - For submission of RPGT return for disposals up to the YA 2024, the IRB will process the RPGT and issue a Notice of Assessment (Form K/KA) for taxable case or a Certificate of Non-Chargeability (CKHT 5A) for non-taxable case.
 - For disposals made from the YA 2025 onwards, the RPGT return furnished by the disposer shall be deemed to be a notice of assessment and be served on the disposer the date the return is furnished to the IRB.
- Effective 1st January 2026, taxpayers are allowed to settle the tax under a deemed assessment by way of instalment payments, subject to the amount and instalment period determined by the DGIR.
- The forms for the applications for relief have been updated as follows:-
 - Form CKHT 15H for the application under Section 19 of the RPGT Act 1976; and
 - Form CKHT 15J for the applications under Section 19A of the RPGT Act 1976.
- Where a taxpayer is dissatisfied with the DGIR's decision on an application for relief, the taxpayer may submit an appeal under Sections 19 and 19A of the RPGT Act 1976 via Form RF / CKHT 15K within 6 months from the date the decision letter is served on the taxpayer.

Note: For further information on the earlier Guidelines on RPGT, kindly refer to our *Tax Flash – February 2025* issue.

Income Tax (Labuan Company) (Exemption) Order 2026

The *Income Tax (Labuan Company) (Exemption) Order 2026* [“2026 Exemption Order”] has been gazetted to extend the exemption from the restriction on tax deductions under Section 39(1)(r) of the ITA 1967 payments made by Malaysian residents to a Labuan companies carrying out qualifying activities under the Global Incentives for Trading [“GIFT”] programme.

Effective 1st January 2019, Malaysian residents are subject to restrictions on tax deductions under Section 39(1)(r) of the ITA 1967 in respect of certain payments made to Labuan entities as outlines below:-

Type of Payment	Amount not Allowed for Deduction
Interest payment	25% of the amount of payment
Lease rental	25% of the amount of payment
Other payments	97% of the amount of payment

Exemptions from the above restriction on tax deduction under Section 39(1)(r) of the ITA 1967 were previously provided under the Income Tax (Exemption)(No. 11) Order 2021. These exemptions applied to payments made by Malaysian residents to the following categories of Labuan companies:-

- Labuan company that undertakes a qualifying activity under the GIFT programme (exemption granted up to YA 2025);
- Labuan company which has elected to be chargeable to tax under the ITA 1967 pursuant to Section 3A of the LBATA 1990 (effective 1st January 2019); and
- Labuan company which carries on a Labuan business activity under Section 2B of the LBATA 1990 (exemption granted up to YA 2025).

The 2026 Exemption Order has further extended the exemption from the restriction on tax deduction under Section 39(1)(r) of the ITA 1967 in respect of payments made to Labuan companies undertaking qualifying activities under the GIFT programme up to YA 2030.

Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2026

The *Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2026* has been gazetted on 8th April 2026 and took effect on 9th April 2026.

Service Tax Policy No. 1/2025 (Amendment No. 4) – Financial Services

The RMCD has published *Service Tax Policy No. 1/2025 (Amendment No. 4) – Financial Services* dated 1st April 2026.

Guide on Electricity Transmission and Distribution Services

The RMCD has published *Guide on Electricity Transmission and Distribution Services* dated 16th April 2026 (in *Bahasa Malaysia*). The salient points extracted from the guide are as follows:-

- The sale of solar energy by a company to a utility provider is not subject to service tax. This is because the electricity is sold back to the utility provider rather than distributed to domestic consumers.
- Electricity generated from large-scale solar programs and sold to commercial customers is not a taxable service and is therefore not subject to service tax.
- A Joint Management Body ["JMB"] that holds a licence to distribute electricity often receives a bulk bill from the utility provider and subsequently issues electricity bills to strata owners. Such bills do not fall within the scope of service tax as the JMB does not meet the definition of a "taxable person" under Item 9 of Group I to the First Schedule of the Service Tax Regulations 2018 ["SETR 2018"].
- A company providing electric vehicle charging services at shopping malls would not be subject to service tax because it merely distributes electricity acquired from a utility provider. The company does not satisfy the definition of a "taxable person" under Item 9 of Group I to the SETR 2018.
- Independent Power Producers ["IPPs"] are involved solely in the generation and supply of electricity to the utility provider through the National Grid System. Hence, the generation of electricity does not fall within the scope of taxable services under Item 9 of Group I to the SETR 2018. Accordingly, IPPs are neither required to register for service tax purposes nor charge service tax on the generation of electricity.
- Any entity holding a Public Distribution Licence ["LAP"] under Section 9(1)(b) of the Electricity Supply Act 1990 is not subject to service tax because the LAP holders merely acquire electricity from a primary supplier (such as TNB) and distribute it directly to commercial consumers without providing electricity transmission services.

Sales Tax Policy No. 2/2026 – Temporary Measures in relation to Sales Tax Exemption and Import Duties Remission following the Conflicts in the Middle East

The RMCD has published *Sales Tax Policy No. 2/2026 – Temporary Measures in Relation to Sales Tax Exemption and Import Duties Remission Following the Conflicts in the Middle East* dated 4th May 2026 (in *Bahasa Malaysia*). The MOF has agreed to provide exemption from sales tax and import duty in respect of any goods manufactured in Malaysia by registered manufacturers that were exported and subsequently re-imported by the same registered manufacturer as a result of disruptions arising from the conflict in the Middle East, subject to fulfilment of the conditions prescribed in the policy. Such exemption will be valid up to 31st December 2026.

Service Tax Policy No. 1/2026 – Service Tax Treatment on Health Screening Management Services

The RMCD has published *Service Tax Policy No. 1/2026 – Service Tax Treatment on Health Screening Management Services* dated 4th May 2026 (in *Bahasa Malaysia*). Pursuant to the policy, the MOF has determined that persons providing health screening management service are required to be registered for service tax under Group G – Professionals or Skills in relation to the provision of management services by 30th April 2026 and to impose service tax on the fees for such health screening management services from 1st May 2026.



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