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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

Extension of the Qualifying Period for Deduction of Relocation Cost for Tun Razak Exchange Marque Status Companies

The *Income Tax (Deduction for Relocation Costs for Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026* have been gazetted to further extend the qualifying period for the deduction for relocation costs. Under the Amendment Rules, the qualifying period is extended to cover relocation that takes place not later than 31st December 2030 (previously 31st December 2025).

The Amendment Rules shall have effect from YA 2026.

Note: For further information on the previous Guidelines, kindly refer to our [Tax Flash – February 2022](#) issue.



Updated Guidelines on Capital Gains Tax for Unlisted Shares

The IRB has recently updated the *Guidelines on CGT for Unlisted Shares* replacing the previous Guidelines issued on 21st July 2025. The updated Guidelines introduce several changes and clarification, particularly in relation to the definition of disposal, nominee arrangements and the determination of the completion date for disposal.

The salient updates of the Guidelines include:-

i. Definition of Disposal

- The definition of “**disposal**” has been updated to align with the amendments to Section 65C of the ITA 1967, which took effect on 1st January 2026. Under the revised definition, a disposal includes:-
 - the selling, conveying, transferring, assigning, settling or alienating of a capital asset, whether pursuant to an agreement or under any written law;
 - an extinguishment of any rights due to the dissolution or winding up of a company; or
 - the reduction of share capital, conversion or redemption of shares, a company's purchase of its own shares or any other circumstances in which ownership of a capital asset ceases.

ii. Nominee Arrangements

- The Guidelines clarify that a disposal of capital asset by a nominee acting on behalf of the beneficial owner is treated as a disposal of the beneficial owner under Section 76A(1) of the ITA 1967. A new example illustrates that any capital gains arising from the disposal are subject to CGT in the hands of the beneficial owner.
- Transfer of ownership of a capital asset from the beneficial owner to the nominee and the subsequent retransfer by the ownership by the nominee to the beneficial owner, are not regarded as a disposal under Section 76A(2) of the ITA 1967.

iii. Date of a Completion of a Disposal

- Where no written agreement exists, the date of completion of a disposal of capital asset is the earlier of:-
 - the date on which ownership of the capital asset disposed of is transferred by the disposer, ownership ends or the relevant rights are extinguished following the dissolution or winding-up of the company; or
 - the date on which the whole amount or value of the consideration, whether in cash or in kind, is received by the disposer.
- The Guidelines also clarify that, where applicable, the completion date of a disposal is deemed to be the date on which all requirements under the relevant written law for the transfer or cessation of ownership, or the extinguishment of rights due to dissolution or winding up of a company, have been complied with.

iv. Reference to Special Guidelines

- For transactions involving the extinguishment of any rights due to the dissolution or winding up of a company, or the reduction of share capital, conversion or redemption of shares, a company's purchase its own shares or cessation of ownership of a capital asset, taxpayers should refer to the relevant Special Guidelines for the applicable tax treatment. These relevant Special Guidelines have yet to be issued by the IRB.

Note: For further information relating to CGT, kindly refer to our [Tax Flash - April 2024](#), [Tax Flash - November 2024 \(Special Edition\)](#) and [Tax Flash - November 2025 \(Special Edition\)](#) issues.



Updated Guidelines for Application for Approval by the DGIR for Public, Private and Teaching Hospital Welfare Funds under Section 44(6) of The Income Tax Act 1967

The IRB has recently issued the updated *Guidelines for Application for Approval by the DGIR under Section 44(6) of the ITA 1967 for Public Hospital, Private Hospital and Teaching Hospital Welfare Funds (in Bahasa Malaysia)* to replace the previous Guidelines issued on 28th March 2023. The updated Guidelines enhance and clarify the eligibility and compliance requirements for Hospital Welfare Funds ["HWF"], while also incorporating the new requirements arising from implementation of e-Invoice framework.

The salient updates of the Guidelines include:-

i. Enhanced Requirements for the Establishment of Hospital Welfare Funds

- **Private Hospital Welfare Funds**

With effect from YA 2026, a private hospital registered as a Company Limited by Shares may establish a HWF, subject to, among others, the following requirements:-

- the hospital must hold a valid licence under the Private Healthcare Facilities and Services Act 1998 ["Act 586"], and the HWF must be established through a Company Limited by Guarantee ["CLBG"] to manage the fund.
- for private hospitals within the same hospital group, the HWF may channel funds to all hospitals within the group, provided that at least one HWF is established through a CLBG under one of the hospitals and the fund distribution arrangement is expressly stated in its objectives.
- transfers of funds to private hospitals outside the same hospital group are not permitted.
- a parent company which does not itself hold a licence under the Act 586, is not permitted to establish a CLBG to manage the HWF.

- **Teaching Hospital Welfare Funds**

- The scope of eligible teaching hospitals has been expanded to include teaching hospitals established by *Universiti Islam Antarabangsa Malaysia* and private universities, in addition to the teaching hospitals established by public universities and *Universiti Teknologi MARA*.
- The HWF must be established solely to assist patients in financial need requiring treatment and services at the relevant hospital and must not be established or operated for education, research or profit-making purposes.

- **Other Establishment Requirements**

- More than 50% of the HWF committee members must comprise external persons who are not connected with the hospital. Appointments of Hospital Board of Directors who are not external persons are permitted, provided that they do not comprise more than 50% of the committee members.

- Hospital board directors appointed to the fund committee must not receive remuneration or benefits for their committee duties. They may claim reimbursement of legitimate official expenses, subject to the supporting documents. The fund must not benefit hospital board directors, committee members, their family members or interested parties.
- The hospital must submit its Financial Assistance Policy, either separately or as part of its constitution/trust deed, setting out the use of the fund, welfare activities and beneficiary criteria.

ii. Revised Funding Requirements

- **Public and Teaching Hospital Welfare Funds**
 - At least 50% of the total annual contributions must comprise public contributions.
 - At least 50% of the preceding year's income must be spent in the following year towards achieving the objectives of the fund.
- **Private Hospital Welfare Funds**
 - Contributions from subsidiaries or related companies within the same hospital group are permitted.
 - Where such contributions exceed 50% of the total annual contributions, 20% of the total contributions received from the subsidiaries or related companies must be channelled annually to the Ministry of Health ["MOH"] for use by public hospitals, and at least 50% of the preceding year's income must be spent in the following year to fulfil the fund's objectives, with the amount spent including the contribution channelled to the MOH for use by public hospitals.
- **Contribution In Kind**
 - Contribution in kind are excluded from the total annual contributions and donors are not entitled to tax deduction receipts in respect of such contributions.

iii. Enhanced Compliance, Reporting and E-Invoice Requirements

The updated Guidelines provide more comprehensive post-approval obligations. Among others, the approved HWFs are required to:-

- submit to the IRB the details of donors who contribute RM10,000 or more;
- prepare detailed reports on beneficiaries and estimated costs;
- refrain from carrying on any business and from owning assets;
- operating and administrative expenses must be separated from expenses relating to the fund's objectives and limited to 20% of the fund's total income for the current year for private HWF;
- unutilised fund balances may be retained as accumulated funds;
- maintain a separate bank account and separate audited financial statements, with the audited financial statements to be submitted to the IRB by 30th April of the following year; and
- comply with the applicable e-Invoice and official receipt requirements, including the issuance of consolidated e-Invoices, where applicable.

iv. Other Requirements

- Publicity on the availability of healthcare assistance is permitted. However, public hospitals must not solicit donations, while private hospitals must restrict such publicity to the availability of healthcare assistance without advertising their healthcare services.
- Private and teaching hospitals are not permitted to reject patient transfers from public hospitals, subject to their capacity and licensed facilities and services. The HWFs must fully bear the relevant treatment and medical costs, subject to available funds, including cases transferred from the private or teaching hospital to a public hospital.
- Upon cessation of the HWF or withdrawal of its approval under Section 44(6) of the ITA 1967, the remaining balance of the fund must be transferred to another approved HWF and evidence of the transfer of the entire remaining balance must also be submitted to the IRB.

v. Extended Approval Period

- The maximum approval period has been increased from 5 years to up to 10 years under the updated Guidelines.



PR No. 6/2026 – Form, Return, Application and Payment Methods under the Tourism Act 2017, Sales Tax Act 2018 and Service Tax Act 2018

The RMCD has published the *PR No. 6/2026 – Form, Return, Application and Payment Methods under the Tourism Act 2017, Sales Tax Act 2018 and Service Tax Act 2018* dated 21st September 2026 (in Bahasa Malaysia).

Note: For further details, kindly refer to our *Tax Flash – September 2025* issue.

Service Tax Policy No. 6/2026 – Service Tax Exemption on Electricity Transmission and Distribution Services

The RMCD has published *Service Tax Policy No. 6/2026 – Service Tax Exemption on Electricity Transmission and Distribution Services* dated 1st October 2026 (in Bahasa Malaysia). Under this policy, electricity transmission and distribution services are exempt from service tax for domestic users whose consumption does not exceed 800 kWh over a billing period of at least 28 days. The service tax exemption applies from 17th September 2026 until 31st December 2026.

The Use of Operation 11 [P.U.(A) 277/2022] for Primary Timber Sawmilling Activities and Extension of The Export Period under Item 57 [P.U.(A) 210/2018] for the Timber Industry

The RMCD has made an official announcement titled *The Use of Operation 11 [P.U.(A) 277/2022] for Primary Timber Sawmilling Activities and Extension of the Export Period under Item 57 [P.U.(A) 210/2018] for the Timber Industry*. The Minister of Finance II has agreed to enhance the sales tax treatment for the timber industry as follows:-

- Application of Operation 11
 - Operation 11 to Schedule A of the Sales Tax (Exemption from Registration) Order 2018 [“the Exemption Order”] details that a person who undertakes a manufacturing activity that relates to the reduction of size and/or changing of the shape without changing the nature of his taxable goods is exempted from registration under Section 13(1) of the Sales Tax Act 2018 irrespective of the total sales value of the taxable goods in the period of twelve months.
 - Primary sawmilling activities involving cutting of logs into sawn timber are now recognised as eligible operations under Operation 11 to the Exemption Order, subject to the following conditions:
 - the eligibility is limited to primary sawmilling activities, namely the cutting of logs into sawn timber that has not undergone further processing. It does not extend to downstream or integrated activities including kiln-drying, treatment or preservation, planing, moulding, or the production of veneer, plywood, structural components, furniture, or other value-added products;

- this policy takes effect from 1st October 2026. No refund of sales tax will be granted for periods prior to the effective date.
- Extension of the Export Period under Item 57
 - The export period for the timber industry under Item 57 to Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 is extended from six months to one year for export transactions involving taxable goods purchased from registered manufacturers.



ABOUT US

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- Tax audit and investigation
- Transfer pricing
- SST and other indirect taxes
- Outsourcing
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