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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. 4/2026 – Special Allowances for Small Value Assets

The IRB has recently issued the *PR No. 4/2026 – Special Allowances for Small Value Assets*, which provides updated guidance on the tax treatment in relation to the special capital allowance on small value assets. This new PR replaces the PR No. 3/2021 issued on 21st July 2021 with some clarifications and updates to reflect the current legislation.

The salient updates of the PR include:-

- The PR defines LLP as an LLP registered under the Limited Liability Partnership Act 2012 and provide clarification on its eligibility for special allowance.
- The term "Small and Medium Company" has been replaced with "Micro, Small and Medium Company" ["MSMC"].
- The updated PR incorporates the additional ownership requirements applicable to MSMC, which took effect from YA 2024 pursuant to Paragraph 19A(4)(d), Schedule 3 to the ITA 1967.
- The updated PR clarifies that companies deriving only non-business income, such as interest or rental income, are not eligible for the unlimited special allowances. However, this restriction does not apply to companies carrying on business but do not receive any gross business income due to current loss.
- It further clarifies that a company which temporarily ceases its business operations is not regarded as dormant solely because it does not receive gross business income during the temporary cessation period.

Note: *For further information on the previous PR No. 4/2024, kindly refer to our Tax Flash – August 2021 issue.*

Updated Guidelines on Tax Treatment on Gains from the Disposal of Foreign Capital Assets Received from Outside Malaysia

The IRB has recently updated the *Guidelines on Tax Treatment on Gains from the Disposal of Foreign Capital Assets Received in Malaysia from Outside Malaysia* to replace the previous Guidelines issued on 27th March 2024. The updated Guidelines incorporate amendments to the relevant subsidiary legislations and provide further clarification on the tax treatment of gains from the disposal of foreign capital assets received in Malaysia.

The salient updates of the Guidelines include:-

i. No Further Deduction of Expenses Against Foreign Income Received in Malaysia

- Foreign income brought into and received in Malaysia is treated as net income, against which no further deduction of expenses is allowed.

- This replaces the previous clarification under which expenses wholly and exclusively incurred for the acquisition and disposal of foreign capital assets, such as legal fees, appraiser fees, valuation fees and advertising expenses, could be deducted pursuant to Section 65E(2) of the ITA 1967.

ii. Tax Exemption Requirements for Unit Trusts

- The updated Guidelines incorporated the qualifying conditions for exemption under the Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024, whereby a resident unit trust must satisfy either the participation exemptions requirement or the economic substance requirements applicable to the management company.

- Examples 6 and 7 have been introduced to illustrate the application of these requirements, including circumstances where a unit trust qualifies or fails to qualify for the exemption.

iii. Extension of Tax Exemption Period

- The tax exemption for gains from the disposal of foreign capital assets received in Malaysia by resident companies, limited liability partnerships, trust bodies and co-operative societies has been extended to 31st December 2030 (previously until 31st December 2026).

- Similarly, the tax exemption for qualifying foreign-sourced income, including gains from the disposal of foreign capital assets, received in Malaysia by resident unit trusts (excluding real estate investment trusts) has also been extended to 31st December 2030.

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

PN No. 3/2026 - Comparison of Allowances Claimed Under Schedules 7A and 7B of the ITA 1967

The IRB has recently issued the *Practice Note ["PN"] No. 3/2026 - Comparison of Allowances Claimed Under Schedules 7A and 7B of the ITA 1967* to clarify the differences between claiming incentives under Schedule 7A (RA) and Schedule 7B (Investment Allowance ["IA"] for service sector).

The key differences are summarised below:-

Description	RA (Schedule 7A)	IA for Service Sector (Schedule 7B)
Qualifying projects	• Expansion, modernisation, automation or diversification of an existing manufacturing business; or • Expansion, modernisation or diversification of a cultivation and farming business, excluding the business of rearing chicken or duck.	• Projects in the service sector in relation to transportation, communications, utilities or other sub-sectors approved by the Minister.
Qualifying capital expenditure	• Plant or machinery, excluding assets for the use of directors or staff; or • Expenditure incurred for agricultural projects, including clearing and preparation of land, crop planting, irrigation or drainage systems, plant and machinery, construction of access roads including bridges, construction of buildings and structural improvements of land or other structures.	• Plant, machinery, fixtures, premises, buildings, structures, or works of a permanent nature, excluding assets for the use of directors or staff.
Eligibility	• A resident company that has been in operation for at least 36 months and incurred capital expenditure for a qualifying project, subject to the manufacturing definition and other relevant conditions.	• A resident company that incurred capital expenditure for an approved service project approved by the Minister.
Approval	• No prior approval is required. The claim is made through the tax return and subject to IRB's audit.	• A written application is required and is subject to the Minister's approval.
Qualifying period	• 15 consecutive years of assessment from the first year of assessment in which the RA claim is made (the period may vary for Additional RA and PENJANA RA).	• 5 years from the effective date of approval determined by the Minister.

Description	RA (Schedule 7A)	IA for Service Sector (Schedule 7B)
Allowance rate	• 60% of qualifying capital expenditure, restricted to 70% of the statutory income or 100% if the prescribed productivity level is achieved.	• Not less than 60% of qualifying capital expenditure, restricted to 70% of statutory income or such other percentage as specified in the Minister's approval letter.
Unabsorbed allowance	• Carry forward up to 7 consecutive years of assessment after the expiry of the 15 years qualifying period. Unabsorbed RA, Additional RA and PENJANA RA are calculated separately.	• Carry forward up to 7 consecutive years of assessment after the expiry of the 5 years qualifying period.

The PN No.3/2026 is generally consistent with PR No. 10/2022 – Reinvestment Allowance Part I – Manufacturing Activity and PR No. 11/2022 – Reinvestment Allowance Part II – Agricultural and Integrated Activities.



Tax Exemption for Organising International Incentive Trips, Conferences and Trade Exhibitions

Following the Budget 2026 announcement, the *Income Tax (Organising Incentive Trips, Conferences and Trade Exhibitions of International Standard) (Exemption) Order 2026* has been gazetted to provide a 100% income tax exemption on statutory income derived by qualifying person from promoting or organising incentive trips, conferences and trade exhibitions of international standard held in Malaysia for foreign participants.

The salient points of the Exemption Order include:-

- The exemption is available to a Malaysian tax resident company incorporated under the CA 2016, or an association or organisation registered under the Societies Act 1966, which carries on the qualifying activity of international standard held in Malaysia and meet the following annual participants threshold:-

Qualifying Activity	Minimum Foreign Participants
Incentive Trips	1,500
Conferences	2,000
Trade Exhibitions	3,000

- The total number of foreign participants brought in for the qualifying activity must be verified by the MOTAC. For this purpose, foreign participants refer to non-Malaysian citizens participating in the qualifying activities in Malaysia, excluding non-Malaysian citizens who are resident in Malaysia.

- The Exemption Order shall have effect from YA 2026 to YA 2027.

Note: *For further details, kindly refer to our Tax Flash – June 2021* and *November 2025 (Special Edition) issues.*

Updated Guidelines on Forest City Special Financial Zone Tax Incentive for Fintech Related Activities, Financial Global Business Services and Foreign Payment System Operator

The IRB has recently issued the updated *Guidelines on Forest City Special Financial Zone ["FCSFZ"] Tax Incentive for Fintech Related Activities, Financial Global Business Services and Foreign Payment System Operator* and *FCSFZ Tax Incentive – FAQ*.

The salient updates of the Guidelines and FAQ include:-

- **Expansion of Eligibility Criteria**
  The eligibility criteria have been expanded to include a Foreign Payment System Operator established or incorporated in a foreign jurisdiction and approved under Section 11 of the Financial Services Act 2013 or the Islamic Financial Services Act 2013 to operate a payment system.

- **Cessation of the Tax Incentive**
  Upon approval of the tax incentive, the company may apply through Malaysia Digital Economy Corporation ["MDEC"] to cease its participation in the tax incentive scheme.

- **Application Period and Submission**
  The applications for the FCSFZ tax incentive scheme are open from 1st September 2024 to 31st December 2034. The application must be submitted to MDEC through the dedicated application email address.

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



Guidelines on the Imposition of Stamp Duty on Service Agreement Instruments

The IRB has recently issued the *Guidelines on the Imposition of Stamp Duty on Instruments of Service Agreement* on 29th September 2026 to provide clarification on the stamp duty treatment of service agreements under the SA 1949 and the application of Stamp Duty (Remission) Order 2021 ["Remission Order 2021"].

The salient points of the Guidelines include:-

i. Scope of Service Agreements

- The Guidelines clarify that service agreements encompass various types of services, including construction, maintenance, security, consultancy and advisory services. The term "service", which is not specifically defined under the SA 1949, adopts its general meaning of "work performed for a customer".

- A service agreement may be entered into between:-
  - a main service provider and a party other than the government or local authority;
  - a sub-service provider and a, where the main service provider has entered into an undertaking with the government or a local authority; or
  - a main service provider and the Federal Government, State Government, Ruler of a State or a local authority.

- A service agreement is treated as an instrument of security under Item 22(1)(a) of the First Schedule to the SA 1949, even where the service provider's entitlement to payment is conditional upon fulfilling certain contractual requirements.

- The contract value or consideration for services subject to stamp duty includes the amount of SST imposed on the contract value.

ii. Stamp Duty Rates and Remission

- The statutory stamp duty rate for service agreements under Item 22(1)(a) of the First Schedule to the SA 1949 is 0.5% of the contract value.

- However, under the Remission Order 2021, stamp duty exceeding 0.1% of the contract value is remitted for qualifying first-tier and second-tier service agreements, while for multi-tier agreements, stamp duty exceeding RM50 is remitted.

- The applicable stamp duty rates and exemptions are summarised below:-

Type of Agreement	Tier	Stamp Duty Rates
Non-government contract	First tier	Ad valorem rate of 0.1%
	Subsequent tiers	Capped at RM50
Government or local authority contract	First tier	Exempted
	Second tier	Ad valorem rate of 0.1%
	Subsequent tiers	Capped at RM50
Unascertained contract value	Not applicable	RM10
Unascertained payment period	Not applicable	RM1 for every RM100 or part thereof of the periodic payment

Notes:-

- The RM50 capped duty for multi-tier agreements is subject to prescribed conditions, including disclosure of the parties and execution date, its subject matter and confirmation that the preceding agreement has been duly stamped.
- The minimum stamp duty payable is RM10 under Section 36CB of the SA 1949, where applicable.
- The remission under the Remission Order 2021 applies to qualifying service agreements executed on or after 28th December 2018.



Surat Pengesahan MIDA for the Years 2027 to 2029

On 15th October 2026, MIDA has announced that applications for *Surat Pengesahan MIDA ["SPM"]* for the years 2027 to 2029 could be made effective 1st November 2026.

As highlighted in our Tax Flash – August 2026, all SPMs that are currently in force as well as any new SPMs issued before 31st December 2026 would be deemed to expire on 31st December 2026. Affected companies should therefore review their existing SPMs and submit applications for the new period in a timely manner.

Applications are now open and can be submitted through the InvestMalaysia portal.

Note: *For further details, kindly refer to our Tax Flash – August 2026 issue.*

Temporary Disruption to the Electronic Vehicle Tax Exemption Monitoring System

The RMCD has announced that the Electronic Vehicle Tax Exemption Monitoring System ["*eVTEMS System*"] is temporarily unavailable as it undergoes maintenance following a recent technical issue. The downtime began on 17th October 2026 and will continue until further notice.



Service Tax Policy No. 6/2026 (Amendment No. 1) – Update on Service Tax Treatment for Electricity Transmission and Distribution Services

The RMCD has published the *Service Tax Policy No. 6/2026 (Amendment No. 1) – Update on Service Tax Treatment for Electricity Transmission and Distribution Services* dated 23rd October 2026 (in *Bahasa Malaysia*). The salient points extracted from the amended policy are as follows:-

- The service tax exemption on electricity transmission and distribution services for domestic consumers whose consumption does not exceed 800 kWh over a billing cycle of at least 28 days has been backdated to 1st September 2026, from the original commencement date of 17th September 2026. The exemption remains effective until 31st December 2026.
- Eligible domestic consumers are entitled to a refund of service tax paid on electricity transmission and distribution services for the period from 1st September 2026 to 16th September 2026 through adjustments to their electricity bills.

- The service providers must submit evidence that they have already refunded the relevant amounts to customers through electricity bill adjustments and to comply with any additional procedures and requirements prescribed by the DGCE in order to claim the service tax refund.

Note: *For further details, kindly refer to our Tax Flash – October 2026 issue.*

Service Tax (Digital Services) (Amendment) Regulations 2026

The *Service Tax (Digital Services) (Amendment) Regulations 2026* has been gazetted on 27th October 2026 and took effect from 28th October 2026.

Service Tax Policy No. 6/2024 (Amendment No. 3) – Exemption from Payment and Imposition of Service Tax on Maintenance or Repair Services for Maintenance, Repair and Overhaul Activities

The RMCD has published the *Service Tax Policy No. 6/2024 (Amendment No. 3) – Exemption from Payment and Imposition of Service Tax on Maintenance or Repair Services for Maintenance, Repair and Overhaul Activities* dated 2nd November 2026 (in *Bahasa Malaysia*). The newly introduced paragraph 4(d) expands the scope of eligible service providers to include Approved Maintenance Organisation approved by the Directorate General Technical Airworthiness. This amendment applies retrospectively from 22nd September 2026 and remains effective until 31st December 2027.

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

Service Tax Policy No. 3/2026 (Amendment No. 1) – Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-Residential Premises/Buildings Charged by Developers, Joint Management Bodies or Management Corporations

The RMCD has published the *Service Tax Policy No. 3/2026 (Amendment No. 1) – Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-Residential Premises/Buildings Charged by Developers, Joint Management Bodies or Management Corporations* dated 2nd November 2026 (in *Bahasa Malaysia*). The service tax exemption has been expanded to cover the maintenance charges and sinking fund levied by developers in respect of both residential and non-residential buildings (note: the similar exemption has been granted to joint management bodies and management corporations earlier). This amendment applies retrospectively from 1st July 2026.

Note: *For further details, kindly refer to our Tax Flash – July 2026 issue.*

Guide on Construction Works Services (Amendment)

On 6th November 2026, the RMCD has published the *Guide on Construction Works Services (Amendment)* dated 17th March 2026, incorporating administrative amendments. For ease of reference, these amendments are summarised on pages 66 to 71 of the guide.

Note: *For further details, kindly refer to our Tax Flash – April 2026 issue.*



Guide on Sales Tax Exemption under Item 58A of Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018

The RMCD has published the *Guide on Sales Tax Exemption under Item 58A of Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018* dated 6th November 2026. The salient points extracted from the guide are as follows:-

- Applications for sales tax exemption under Item 58A must be submitted manually until applications can be processed directly through the MySST system.
- B24 – very low sulfur fuel oil (HS Code 2710.20.00 00) has been added to the list of goods to be exempted from the payment of sales tax.
- Any application for an exemption certificate must be accompanied with the following documents:-
  - The sales tax exemption certificate application form prescribed in Appendix I;
  - PDA 2 Approval;
  - A Retail Licence for Scheduled Controlled Goods under the Control of Supplies Regulations 1974; and
  - A purchase order or proforma invoice from supplier.
- Before undertaking any bunkering activities, applicants must notify the Customs Division in the area from which the oil is sourced either by email or official letter.
- The monthly *Laporan CJ(P) Jadual A-58* is no longer required to be submitted to the controlling station by the 10th of the following month. Instead, it must be retained for record-keeping purposes and made available to the RMCD upon request.

Note: *For further details, kindly refer to our Tax Flash – September 2021 issue.*

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ABOUT US

Moore Global Network Limited ["MGNL"] is a prominent accounting and consulting network with over 37,000 professionals operating in more than 119 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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