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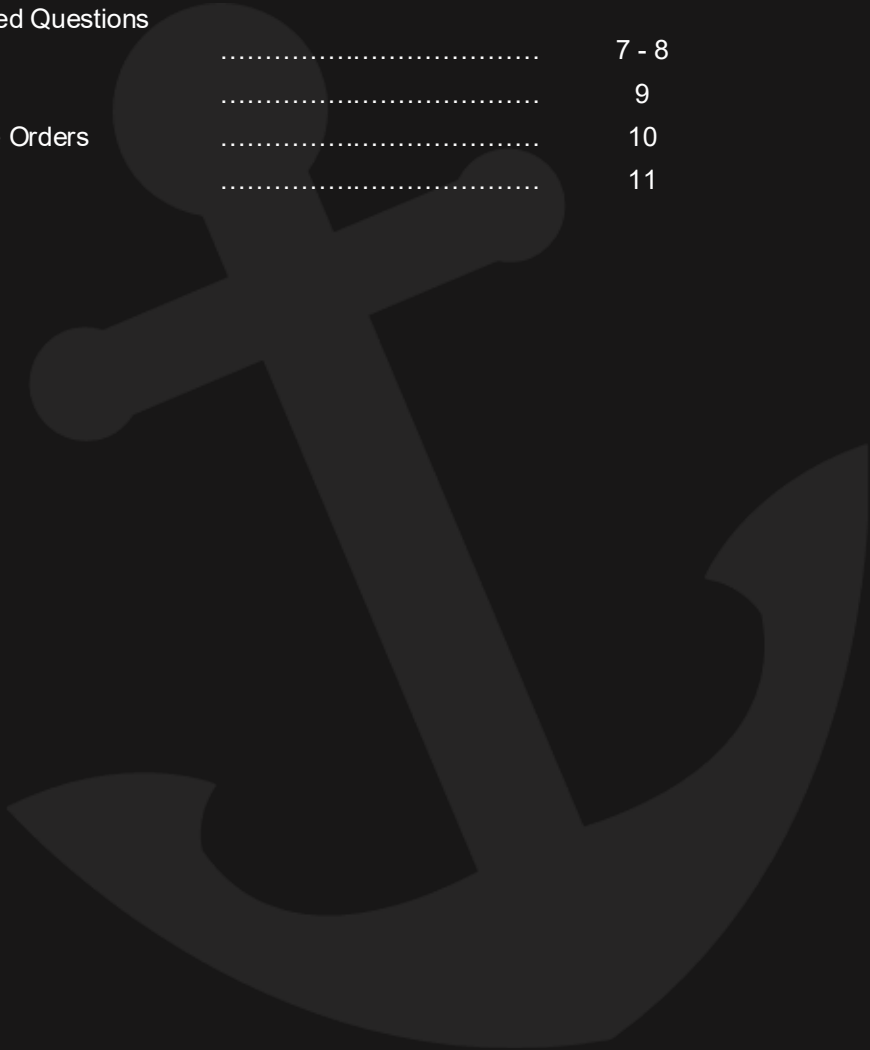
TAXLETTER

Practice Note, Guidelines Updates, Recent Gazette Orders, and Indirect Tax

16 March 2026

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Part 1 : Sales Tax Updates

Service Tax	Description
<u>No. 1/2026</u>	<p>Sales Tax Policy (STP)</p> <p>Date of Publication : 4 February 2026</p> <p>STP No. 1/2026 outlines the sales tax exemption on raw materials used in the manufacture of animal feed, fertilizers or pesticides under the specified tariff codes, effective from 1 January 2026. For full details of the applicable tariff codes in Appendix I,II and III pursuant to Section 35(3) of the Sales Tax Act 2018.</p> <p>Manufacturers who paid sales tax on or after 1 January 2026 for the above-mentioned raw materials are eligible for a refund, subject to the following conditions:</p> <ol style="list-style-type: none">i. Above-mentioned raw materials must be imported or purchased from 1 January 2026 until the amendment to the Sales Tax (Persons Exempted From Payment of Tax) Order 2018 is gazetted.ii. Sales tax must have been paid on the importation or purchase.iii. Manufacturers must be licensed under the Department of Veterinary Services or the Pesticides and Fertilizers Control Division, Department of Agriculture. <p>For the refund application procedure, the manufacturer is required to submit the application using Form JKDM No. 2 to the Cawangan Perakaunan Hasil, Bahagian Perkhidmatan Teknik, JKDM at the respective state office not later than 30 April 2026.</p>

Part 2 : Service Tax Updates

Service Tax	Description
<u>No. 3/2025</u> (Amendment No. 3)	<p>Service Tax Policy (SCTP) (Amendment No. 3)</p> <p>Date of Publication : 30 January 2026</p> <p>The SCTP No. 3/2025 on construction works services has been updating items 3,7 and 8.</p> <p>Item 3 provides that non-reviewable contracts are exempted from service tax for the period from 1 July 2025 to 30 June 2027 (previously 3 June 2026)</p> <p>Items 7 and 8 involve editorial amendments only.</p> <p>Consequently, STP No. 3/2025 (Amendment No. 2) is revoked and replaced by STP No. 3/2025 (Amendment No. 3) with effect from 30 January 2026.</p> <p>For full details of the scope and qualifying conditions of the exemptions, reference should be made to SCTP No. 3/2025 (Amendment No. 3).</p>

Part 3 : Domestic Top-Up Tax Guideline

Guideline	Description				
<p><u>DTT</u></p>	<p>Implementation of Domestic Top-Up Tax in Malaysia</p> <p>Date of Publication : 3 February 2026</p> <p>Malaysia is implementing the Global Minimum Tax (“GMT”) for financial years beginning on or after 1 January 2025 as part of its commitment to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.</p> <p>The tax is introduced through two mechanisms:</p> <ol style="list-style-type: none"> i. Domestic Top-Up Tax (“DTT”); and ii. Multinational Top-Up Tax (“MTT”). <p>This guideline is intended for corporate taxpayers that form part of large multinational enterprise (MNE) groups. It provides guidance on the scope and application of the DTT, including filing obligations, administrative procedures and its interaction with international rules under the GloBE Model Rules.</p> <p>The guideline also aims to assist taxpayers in determining their liability for DTT and outlines the relevant modifications referred to in Section 159 of the Income Tax Act 1967. In the event of any inconsistency, reference should be made to the GloBE Rules and latest OECD Administrative Guidance.</p> <p>The DTT ensures that income earned in Malaysia by entities within large MNE groups with consolidated annual revenue of at least EUR750 million in 2 out of 4 preceding financial years, is subject to a minimum effective tax rate of 15%, allowing Malaysia to retain taxing rights over low-taxed domestic profits in line with the OECD Qualified Domestic Minimum Top-up Tax (QDMTT) Framework.</p> <p>The entities that are excluded from the scope of DTT is as follow:</p> <table border="1" data-bbox="322 1328 1308 1873"> <tbody> <tr> <td data-bbox="322 1328 548 1570"> <p>Specific Entity Types</p> </td> <td data-bbox="548 1328 1308 1570"> <ul style="list-style-type: none"> • Government entities • International organisations • Non-profit organisations • Pension funds • Investment funds that are Ultimate Parent Entities; and • Real Estate Investment Vehicles that are Ultimate Parent Entities. </td> </tr> <tr> <td data-bbox="322 1570 548 1873"> <p>Entities largely owned by excluded entities</p> </td> <td data-bbox="548 1570 1308 1873"> <ul style="list-style-type: none"> • Entities where $\geq 95\%$ of value is owned by excluded entities (other than Pension Services Entities) that operate primarily to hold assets, invest for, or carry out ancillary activities for the excluded entity; or • Entities where $\geq 85\%$ of value is owned by excluded entities (other than Pension Services Entities) and substantially all income consists of excluded dividends or equity gains/losses. </td> </tr> </tbody> </table>	<p>Specific Entity Types</p>	<ul style="list-style-type: none"> • Government entities • International organisations • Non-profit organisations • Pension funds • Investment funds that are Ultimate Parent Entities; and • Real Estate Investment Vehicles that are Ultimate Parent Entities. 	<p>Entities largely owned by excluded entities</p>	<ul style="list-style-type: none"> • Entities where $\geq 95\%$ of value is owned by excluded entities (other than Pension Services Entities) that operate primarily to hold assets, invest for, or carry out ancillary activities for the excluded entity; or • Entities where $\geq 85\%$ of value is owned by excluded entities (other than Pension Services Entities) and substantially all income consists of excluded dividends or equity gains/losses.
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Part 3 : Domestic Top-Up Tax Guideline

Guideline	Description
<u>DTT</u>	<p>Implementation of Domestic Top-Tax in Malaysia (cont')</p> <p>The DTT is computed on the full amount of the jurisdictional top-up tax for Malaysia, regardless of ownership in the Constituent Entities (CE) and is allocated among entities in proportion to their GloBE Income. Only entities with positive GloBE Income for the financial year are allocated DTT.</p> <p>For full details of this guideline, reference should be made to the DTT guideline.</p>

Part 4 : Frequently Asked Questions (FAQ)

FAQ	Description
FAQ 6.0	<p>FAQ on Implementation of the GMT in Malaysia (Version 6) dated 3 February 2026</p> <p>The following new FAQ have been updated:</p> <p>FAQ 10 Adjustment required under the Transitional Country-by-Country (“CbC”) Reporting Safe Harbour (“TCSH”) to prepare a Qualified CbC Report. MNE groups that applying the TCSH must ensure the CbC report based on the group’s Qualified Financial Statement.</p> <p>No adjustments are required to align with Global Anti-Base Erosion rules, except for:</p> <ol style="list-style-type: none">i. Purchase Price Allocation (PPA) adjustments for consistent reporting.ii. Adjustments related to goodwill impairment. <p>FAQ 11 : Q : whether an MNE Group that fail to submit its CbC Report is eligible for the TCSH. It was clarified that submission of a CbC Report is mandatory. A: MNE groups that fail to submit the report are not eligible for the TCSH.</p> <p>FAQ 18 : Q : whether the 15-month (or 18-month transitional) deadline for filing the top-up tax return should based on financial year end of each CE or Ultimate Parent Entity (“UPE”) A: The 15-month (or 18-month transitional) deadline for submitting the Top-Up Tax Return is based on the financial year end of the UPE, not each CE.</p> <p>FAQ 21 : Q: whether different entities within an MNE Group apply MFRS and MPERS respectively, whether both sets of financial statements are acceptable for the purposes of DTT computation under Income Tax Act 1967 A : Malaysian Financial Reporting Standards (MASB) and Malaysian Private Entities Reporting Standards (MPERS) are the local accounting standards in Malaysia.</p> <p>Financial statements prepared under either standard may be used to determine the financial accounting net income for local purposes in DTT computations, provided all other conditions in Section 164(2) of the ITA are satisfied.</p>

Part 4 : Frequently Asked Questions (FAQ)

FAQ	Description
FAQ 6.0	<p>FAQ on Implementation of the Minimum Tax (GMT) in Malaysia (Version 6) dated 3 February 2026</p> <p>FAQ 22 Q : When CEs in Malaysia have different financial year ends from UPE due to mergers, acquisitions or liquidation, whether transitional relief will be available to address mismatched reporting period.</p> <p>A : The accounts must also be used for SSM submission or corporate income tax filing, where all conditions under Section 164(2)(a) of the ITA are met. Section 164(2)(a) of the ITA ensures alignment of local financial years with the Consolidated Financial Statement (CFS), preventing mismatches between QDMTT computations and GloBE Rules.</p> <p>Even if a CE has a different financial year due to mergers, acquisitions or liquidation, Malaysian CEs can still use local financial statements for DTT computation, as long as all other conditions in Section 164(2) are met.</p> <p>FAQ 23 : Q : Where an in-scope CE in Malaysia prepared unaudited accounts, whether such financial statements may be used for determining the DTT.</p> <p>A : Local financial statements prepared in accordance with MASB or MPERS may be used by CE for DTT purposes, provided the same accounts are used for SSM submission or corporate income tax filing and all conditions under Section 164(2)(a) are satisfied.</p>

Part 5 : Practice Note

Practice Note	Description								
<p><u>PN 1/2026</u></p>	<p>Tax Treatment for Reporting Income Based on Profit Distribution Vouchers of Retail Money Market Fund (RMMF)</p> <p>Date of Publication : 27 February 2026</p> <p>This Practice Note clarifies the tax treatment for unit holders receiving income distributions from an RMMF unit trust.</p> <p>Interest income received by a unit trust (including an RMMF) is exempted from income tax. However, such income is taxable in the hands of unit holders other than individuals pursuant to subsection 61(1A) of the ITA.</p> <p>Accordingly, an RMMF is required to deduct and remit withholding tax under Section 109DA of the ITA on behalf of unit holders other than individuals when gross interest income distributions are made. The applicable withholding tax rate is 24% of the gross interest income distributed, as provided under Part XIX of Schedule 1 of the ITA.</p> <p>For RMMF distributions:</p> <table border="1" data-bbox="311 971 1322 1390"> <thead> <tr> <th data-bbox="311 971 819 1050">Unit Holders</th> <th data-bbox="819 971 1322 1050">Tax Treatment</th> </tr> </thead> <tbody> <tr> <td data-bbox="311 1050 819 1129">Individual unit holders</td> <td data-bbox="819 1050 1322 1129">Income distributions are tax-exempt</td> </tr> <tr> <td data-bbox="311 1129 819 1207">Non-resident unit holders other than individuals</td> <td data-bbox="819 1129 1322 1207">Distributions are subject to withholding tax at 24%, which constitutes a final tax</td> </tr> <tr> <td data-bbox="311 1207 819 1390">Resident unit holders other than individuals</td> <td data-bbox="819 1207 1322 1390">Distributions are taxable and any withholding tax deducted may be claimed as a tax credit under subsection 110(9A) of the ITA.</td> </tr> </tbody> </table> <p>In addition, this Practice note explains the format and terms used in the profit distribution voucher issued by a RMMF to ensure transparency and help unit holders understand their tax position. The key information shown in the profit distribution voucher includes the net amount received, the taxable portion of income and any withholding tax deducted. Resident non-individual unit holders may claim the withholding tax as a credit.</p>	Unit Holders	Tax Treatment	Individual unit holders	Income distributions are tax-exempt	Non-resident unit holders other than individuals	Distributions are subject to withholding tax at 24%, which constitutes a final tax	Resident unit holders other than individuals	Distributions are taxable and any withholding tax deducted may be claimed as a tax credit under subsection 110(9A) of the ITA.
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Part 6 : Recent Gazette Orders

Gazette Order	Description								
<u>P.U. (A) 68</u>	<p>Income Tax (Qualifying Plant Initial Allowance) Rules 1998 (Revised 2026)</p> <p>Date of Publication : 10 February 2026</p> <p>With effect from 11 February 2026, the initial allowance rate for qualifying expenditure on machinery or plant used for business purposes in Malaysia, except for imported heavy machinery as set out in the Schedule to the Income Tax (Qualifying Plant Allowances) (No. 2) Rules 1997 [P.U. (A) 474/1997] is as follows:</p> <table border="1"><thead><tr><th>Industry</th><th>Initial Allowance Rate</th></tr></thead><tbody><tr><td>Building and Construction</td><td>30%</td></tr><tr><td>Extraction of Timber from a Forest</td><td>60%</td></tr><tr><td>Tin Mining</td><td>60%</td></tr></tbody></table> <p>An election may be made in writing for the initial allowance to be equal to 20% of the qualifying expenditure for the relevant year of assessment.</p>	Industry	Initial Allowance Rate	Building and Construction	30%	Extraction of Timber from a Forest	60%	Tin Mining	60%
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Part 7 : Other Updates

Responses from CTIM	Description
<u>Tech-DT</u> <u>17/2026</u>	Confirmation on Beneficiary Owner Disclosure Date of Publication : 25 February 2026 In response to the 28 January 2026 inquiry on Beneficial Ownership (BO) disclosure, the Malaysian Inland Revenue Board confirmed that BO information is optional for the Year of Assessment (YA) 2025 Form e-C and will be removed from the form starting YA 2026.

Our Offices

Klang Valley

D-21-07 (Menara Suezcap 1) (Tax)
E-30-07 & 08, Menara Suezcap 2 (GBS | CPD)
Gerbang Kerinchi Lestari,
No.2, Jalan Kerinchi,
59200 Kuala Lumpur.

Tel : +603 9213 1602 | +603 7931 3988
Email : admin@ancgroup.biz

Penang

Tel : +6016 – 834 4933
Email : admin@ancgroup.biz

Selangor

Tel : +603 3359 1918
Email : secretary@ancgroup.biz

Singapore

7 Temasek Boulevard,
#12-07 Suntec Tower One,
Singapore 038987
Tel : +65 8647 8162



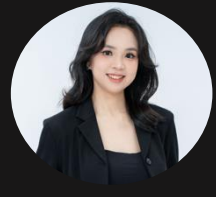
Song Liew
Tax Partner
admin@ancgroup.biz



Wang Choo Jad
Tax Partner
wangcj@ancgroup.biz



CY See
Tax Partner
cysee@ancgroup.biz



Annie Liong
GBS / Finance
annie@ancgroup.biz



Alicia Lee
Head of ANC Group Penang
alicia@ancgroup.biz

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