



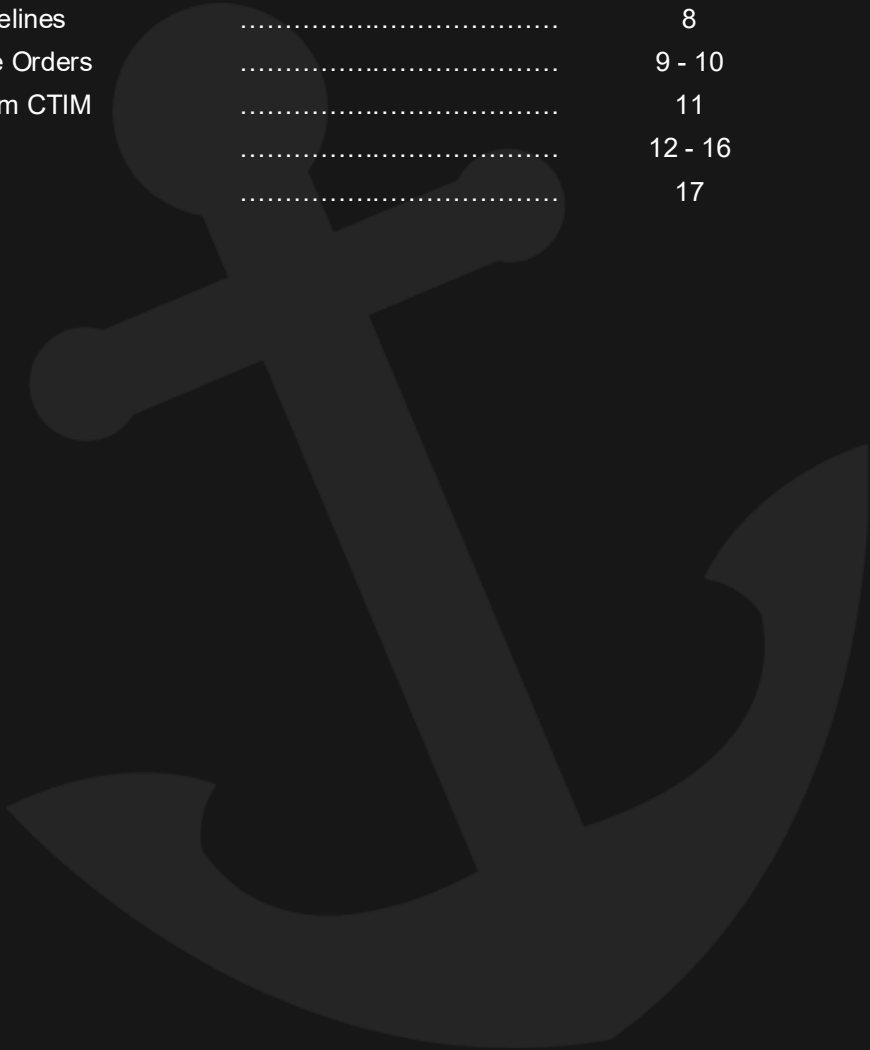
TAXLETTER ⁵²

Public Ruling, Practice Note, Guidelines, Recent Gazette Orders, Indirect Tax and Other Updates

16 April 2026

Table of Contents

	Page Number
1 Public Ruling	3 - 4
2 Practice Note	5 - 6
3 Operational Guidelines	7
4 Technical Guidelines	8
5 Recent Gazette Orders	9 - 10
6 Clarification from CTIM	11
7 Service Tax	12 - 16
8 Other Updates	17



Part 1 : Public Ruling Updates

Public Ruling	Description
No. 1/2026	<p>Tax Incentive for Returning Expert Programme (“REP”)</p> <p>Date of Publication : 16 March 2026</p> <p>Public Ruling (“PR”) No. 1/2026 supersedes PR No. 2/2018 dated 2 May 2018, providing updates on the tax treatment of incentive granted under the REP, an initiative designed to attract Malaysian professionals working overseas to return and contribute to the workforce in Malaysia. The updates and amendments are highlighted in yellow.</p> <p>The REP is administered by Talent Corporation Malaysia Berhad (“TalentCorp”), a government agency, in accordance with the applicable laws governing individuals whose employment in Malaysia commences on or after 1 May 2011. Approved individuals under the REP are eligible for a preferential flat income tax rate of 15% on employment income for a period of 5 consecutive Years of Assessment (YA), commencing from the first YA elected by the individual.</p> <p>Generally, an individual must satisfy the following conditions to qualify for the REP:</p> <ol style="list-style-type: none">i. A Malaysian citizen and resident in Malaysia;ii. The application must be submitted on or after 12 April 2011 and not later than 31 December 2027;iii. An expert in a field determined by the National Key Economic Areas (NKEAs);iv. Has not derived any employment income in Malaysia for at least 36 consecutive months prior to the application date;v. A REP’s application has never been approved;vi. The application should be submitted while the applicant is residing and working abroad;vii. Employment income shall be received from a person resident in Malaysia;viii. Must not be bound by any financial or legal obligation to return to Malaysia with any government agency or company; andix. Must not have any outstanding government scholarship or loan obligations. <p>A new clarification has been introduced whereby an individual approved for the REP incentive who is self-employed and subsequently establishes a company and becomes its director will continue to be eligible for the REP incentive, provided that the company’s business activities are aligned with the individual’s area of expertise and the company is resident in Malaysia, even if the individual receives employment income from the company.</p> <p>Further information on TalentCorp and the Comprehensive Guidelines for REP can be obtained from the MyHeart-REP Portal (www.myheart.my)</p>

Part 1 : Public Ruling Updates

Public Ruling	Description
<u>No. 2/2026</u>	<p>Tax Treatment of Foreign Nationals Exercising Employment in Malaysia</p> <p>Date of Publication : 27 March 2026</p> <p>PR No. 2/2026 supersedes PR No. 8/2011 dated 16 November 2011 and provides additional clarification on the tax treatment of foreign nationals exercising employment in Malaysia, effective from the Year of Assessment 2025.</p> <p>The PR introduces several amendments, including the redefinition of “non-resident”, as well as “employer” and “employee” in the context of employment. It also revises the definition of foreign-sourced income and incorporates provisions on unilateral tax credit, whereby income derived from outside Malaysia and subjected to foreign tax may qualify for relief. In addition, Section 132A has been further elaborated.</p> <p>Income from employment exercised in Malaysia is taxable in Malaysia. Under subsection 13(2) of the Income Tax Act 1967 (“ITA”), such income is deemed Malaysian-sourced when the employee physically performs their duties in Malaysia. In accordance with subsection 25(1) of the ITA, gross employment income from such employment is taxed in the year it is received.</p> <p>In situations involving cross-border income, Malaysia has entered into Double Taxation Agreements (DTAA) with other countries to avoid double taxation. Where a DTAA exists, relief is given through bilateral tax credit under section 132 of the ITA. If no DTAA is in place, unilateral tax relief may be granted under section 133 of the ITA.</p> <p>In the absence of a DTAA, both Malaysian and foreign tax laws apply and unilateral tax credit may be granted. This relief is available to Malaysian tax residents who have paid foreign tax on income derived from outside Malaysia. However, income received overseas but arising from Malaysian sources does not qualify. The credit is limited to the lower of half of the foreign tax paid or the Malaysian tax payable on that income.</p> <p>Several exemption orders provide tax relief to non-citizen individuals in specific circumstances. From YA 2003, income from employment exercised outside Malaysia for Operational Headquarters (OHQ) and Regional Office (RO) is exempted. Effective from YA 2008, this exemption was extended to employees of International Procurement Centres (IPC) and Regional Distribution Centres (RDC). In addition, from YA 2007 onwards, non-citizen and non-resident individuals are exempted from tax on payments received from participating in the Malaysian Technical Cooperation Programme. From YA 2012 onwards, non-citizen individuals are also exempted from tax on employment income derived from working with a Treasury Management Centre (TMC).</p> <p>For full details, reference should be made to the following:</p> <ol style="list-style-type: none">i. PR No. 2/2026;ii. Income Tax (Exemption) (No. 60) Order 2003 [P.U.(A) 382/2003];iii. Income Tax (Exemption) (No. 2) Order 2008 [P.U.(A) 101/2008];iv. Income Tax (Exemption) Order 2008 [P.U.(A)18/2008]; andv. Income Tax (Exemption) (No. 3) Order 2012 [P.U.(A) 184/2012].

Part 2 : Practice Note

Practice Note	Description
PN 2/2026	<p>Explanation of Tax Treatment for Unit Holders of Real Estate Investment Trust (“REIT”) or Property Trust Funds (“PTF”) for the Year of Assessment 2026 and Subsequent Years of Assessment (“YA”)</p> <p>Date of Publication : 18 March 2026</p> <p>This Practice Note explains the tax treatment of income distributions from REITs and PTFs in Malaysia, especially the changes from YA 2026.</p> <p>Under Section 61A of the ITA, a REIT or PTF is fully exempt from tax if it distributes at least 90% of its total income to unit holders. Prior to the YA 2026, distributions to unit holders other than resident companies such as individuals, non-resident companies and foreign institutional investors were subject to withholding tax (“WHT”) at prescribed rates, which was a final tax. Therefore, no further reporting was required.</p> <p>Effective from the YA 2026, resident unit holders must report distributions in their respective income tax returns. Resident individuals and entities will be taxed at their applicable rates, while WHT under Section 109D of the ITA will no longer apply. This represents a shift from the WHT final tax system to a self-assessment system for resident unit holders.</p> <p>For non-resident unit holders, the treatment depends on the type of unit holder:</p> <ol style="list-style-type: none">i. Non-resident companies continue under the existing tax treatment, where the distributions are subject to WHT at prescribed rates as a final tax, unchanged from prior years; andii. Non-resident individuals and other non-company unit holders are not subject to WHT under Section 109D of the ITA and must report the distributions in their respective income tax returns. <p>REITs and PTFs will need to take a more proactive role in ensuring compliance under the revised regime. This includes informing and communicating to unit holders that distributions received are now required to be declared in their respective income tax return.</p>

Part 2 : Practice Note

Practice Note	Description				
<p><u>PN 2/2026</u></p>	<p>Explanation of Tax Treatment for Unit Holders of Real Estate Investment Trust (“REIT”) or Property Trust Funds (“PTF”) for the Year of Assessment 2026 and Subsequent Years of Assessment (YA) (cont’d)</p>				
	<p>Please refer to the table below for ease of reference:</p>				
	Chargeable Persons	YA 2016 to YA 2025		YA 2026 and Subsequent YAs	
		Types of tax	Rate	Types of tax	Rate
	Company				
	i) Resident	Corporate rate	Tax at 24%	Corporate rate	Tax at 24%
	ii) Non-resident	WHT (final tax)		WHT (final tax)	
	Foreign institutional investor	WHT (final tax)	Tax at 10%	Corporate rate / Non-resident individual rate	30% of chargeable income
	Individual				
	i) Resident	WHT (final tax)	Tax at 10%	Individual scaled rate	0% to 30%
	ii) Non-resident	WHT (final tax)		Individual flat rate	30% of chargeable income
	Others				
	i) Resident	WHT (final tax)	Tax at 10%	Corporate rate / Scaled rate	0% to 30%
	ii) Non-resident	WHT (final tax)		Corporate rate / Individual flat rate	30% of chargeable income

Part 3: Operational Guidelines Updates

Operational Guidelines	Description
<u>LHDN.AG.600-1/7/2</u>	<p>Operational Guidelines for Real Property Gains Tax (“RPGT”)</p> <p>Date of Publication : 17 March 2026</p> <p>This guideline replaces the RPGT Operational Guideline issued on 13 January 2025 and provides additional clarification on the responsibilities of acquirers and disposers under the Self-Assessment System (STS-RPGT).</p> <p><u>Updates Pertaining to Acquirers</u></p> <p>Effective from 1 January 2026, additional options are provided to acquirers to hold and remit an amount equivalent to the amount of assessment deemed to the IRB. The acquirer must select the amount to be remitted, whichever is lower:</p> <ol style="list-style-type: none">The full consideration;3% / 5% / 7% of the total consideration, depending on the category of the disposer and the holding period of the asset; orAn amount equivalent to the deemed assessment, provided that the disposer has issued the notice of deemed tax amount to the acquirer before the remittance is made (not applicable if the disposer fails to provide the notice to the acquirer prior to remittance). <p><u>Updates Pertaining to Disposers</u></p> <p>For disposals prior to the Year of Assessment 2025, the IRB will process completed CKHT forms. Taxable cases will receive an Assessment Notice (Form K / KA), while non-taxable cases will get a Certificate of Non-Taxable Status (CKHT 5A). The IRB could also adjust CKHT forms if there were errors or incomplete information.</p> <p>Effective from the Year of Assessment 2025, CKHT forms submissions under section 13 of the RPGT Act are treated as deemed assessments and the assessment notice is deemed served to the disposer on the date of submission to the IRB.</p> <p>Effective from 1 January 2026, disposers are allowed to pay tax on a deemed assessment in installments, based on the amount and period prescribed by the IRB. The disposer has the option to notify the acquirer of the deemed tax amount through a declaration for the purposes of section 21B of the RPGT Act.</p> <p>For full details, reference should be made to the LHDN.AG.600-1/7/2.</p>

Part 4: Technical Guidelines Updates

Technical Guidelines	Description
<p><u>LHDN.AG.600-1/10/19</u></p>	<p>Guidelines for Approval under Subsection 44(6) of the ITA for the Public-School Fund (TSUWAS)</p> <p>Date of Publication : 19 March 2026</p> <p>This guideline replaces the TSUWAS approval guideline issued on 28 April 2021 and provides additional clarification on the Implementation of e-Invoicing.</p> <p>e-Invoicing applies to TSUWAS approved under Subsection 44(6) of the ITA for transactions involving the receipt of donations or monetary gifts. e-Invoicing is implemented in phases by TSUWAS according to the mandatory implementation timeline set out in paragraph 1.5 of the e-Invoicing Guidelines.</p> <p>However, TSUWAS may choose to implement e-Invoicing voluntarily at an earlier date than the prescribed timeline. The e-Invoicing implementation method is as follows:</p> <p>Issuance of e-Invoice Upon Request by Donor</p> <ol style="list-style-type: none">i. TSUWAS must issue an e-Invoice for donations or monetary gifts received.ii. Official preprinted receipt under Subsection 44(6) of the ITA is not required if an e-Invoice has been provided.iii. TSUWAS does not need prior approval from the Director General of Inland Revenue (DGIR), as long as the e-Invoice follows the required specifications. <p>Issuance of Official Receipts and Consolidated e-Invoices When Donor Does Not Request</p> <ol style="list-style-type: none">i. TSUWAS must issue the official preprinted receipt under Subsection 44(6) of the ITA following the guidelines and approvals from the DGIR. TSUWAS must combine all donations or gifts received in the month and submit a consolidated e-Invoice within 7 calendar days of the following month. <p>Effective 1 January 2026, donors are required to provide complete information as stated in Appendix 1 of the e-Invoicing Guidelines for any donation or monetary gift exceeding RM10,000 in a single transaction, for the purpose of e-Invoicing implementation.</p> <p>For full details, reference should be made to the LHDN.AG.600-1/10/19.</p>

Part 5: Recent Gazette Orders

Gazette Orders	Description
<u>P.U. (A) 147</u>	<p>Income Tax (Labuan Company) (Exemption) Order 2026</p> <p>Date of Publication : 31 March 2026</p> <p>Effective from Years of Assessment 2026 to 2030, Malaysian residents are exempt from paragraph 39(1)(r) of the ITA for payments made to a Labuan company undertaking qualifying activities under the Global Incentives for Trading (GIFT) programme, which allows Labuan International Commodity Trading Companies to use Malaysia as their international trading base.</p> <p>However, this exemption does not relieve the Malaysian resident from submitting tax returns, statements of accounts or any other information required under the ITA.</p> <p>Qualifying activities are the trading of physical products and related derivative instruments, as set out below:</p> <ul style="list-style-type: none">i. Petroleum and its related products including liquefied natural gas;ii. Minerals;iii. Agriculture products;iv. Refined raw materials;v. Chemicals; andvi. Base minerals.

Part 5: Recent Gazette Orders

Gazette Orders	Description
<u>P.U. (A) 125</u>	<p>Service Tax (Rate of Tax) (Amendment) Order 2026</p> <p>Date of Publication : 13 March 2026</p> <p>On 23 January 2026, the Royal Malaysian Customs Department (“RMCD”) introduced an interim 2% service tax exemption on all of leasing services effective from 1 January 2026, pending formal legislative amendments. This required additional interim procedure for invoicing and SST-02 reporting.</p> <p>Following to the Service Tax (Rate of Tax) (Amendment) Order 2026, effective from 1 January 2026, the provision of rental or leasing services has been added to the First Schedule as a taxable service subject to the 6% service tax rate, reflecting the reduction from the previous 8% rate, thereby eliminating the need for interim procedures,</p> <p>With the issuance of the Gazette Order, which includes the provision of rental or leasing services in the First Schedule as a taxable service subject to the 6% service tax rate, the procedures for invoice issuance and reporting in SST-02 returns relating to the previous 2% service tax exemption (as outlined in the Customs announcement dated 27 January 2026) are no longer applicable.</p> <p>Further clarification has been obtained from RMCD regarding the appropriate treatment for adjustments to service tax charged after the submission of a return.</p>

Part 7: Other Updates

Responses from CTIM	Description
<u>Tech-DT</u> <u>13/2026</u>	<p>Confirmation in relation to 2% Service Tax Exemption on Rental or Leasing Service Tax Rate</p> <p>Date of Publication : 10 March 2026</p> <p>In response to the Chartered Tax Institute of Malaysia's inquiry regarding the procedures for issuing invoices and reporting in SST-02 returns for the 2% service tax exemption on rental or leasing services issued by the Royal Malaysian Customs Department ("RMCD") on 27 January 2026, RMCD has responded the following clarification:-</p> <p>Pursuant to Regulation 11 of the Service Tax Regulations 2018, a registered person must issue a credit or debit note for any adjustment to the service tax charged after submitting a return, whether due to a change in the service tax rate or routine business adjustments. Such credit note must be reported in SST-02 to recover any overpaid service tax.</p> <p>However, for transactions that do not involve claiming a refund of overpaid tax in the return, RMCD does not prescribe any mechanism for companies to issue a credit note for any overcharged invoice that has not yet been accounted for in the SST-02 return.</p> <p>Note: A new Gazette Order of P.U. (A) 125 has been released where the procedures for issuing invoices and reporting requirements in SST-02 returns for the previous 2% service tax exemption on rental or leasing services, as outlined in the Custom's announcement dated 27 January 2026, are no longer required.</p>

Part 6: Service Tax Updates

Service Tax	Description														
STA 17.03.26	<p>Guide On Construction Work Services</p> <p>Date of Publication : 17 March 2026</p> <p>This guideline replaces the Construction Work Services guideline issued on 9 June 2025 and provides additional clarification on the service tax treatment for construction work services as well as the Frequently Asked Questions (“FAQ”)</p> <p>Generally, all construction service providers are subject to service tax. A person providing construction work services exceeding the prescribed threshold of RM1.5 million is regarded as a taxable person under Group L, First Schedule of the Service Tax Regulations (Amendment) 2025 (Group L). However, exceptions apply depending on the nature of the expenses.</p> <table border="1"> <thead> <tr> <th>Nature</th> <th>Service Tax</th> </tr> </thead> <tbody> <tr> <td>Construction work on commercial buildings and its public facilities</td> <td>Taxable (6%)</td> </tr> <tr> <td>Construction work on residential buildings and its public facilities approved by Local Authority for residential use</td> <td>Exempt</td> </tr> <tr> <td>Construction work on commercial building mixed with residential buildings (mixed-development project) <ul style="list-style-type: none"> - Construction work on commercial buildings and its public facilities - Construction work on residential units and its public facilities </td> <td> Taxable (6%) Exempt (subject to conditions) </td> </tr> <tr> <td>Engineering, Procurement, Construction and Commissioning (EPCC) contract <ul style="list-style-type: none"> - Construction of ships or platforms - Manufacturing of ships or platforms </td> <td> Exempt Subject to sales tax </td> </tr> <tr> <td>Registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts separating goods and services components - Installation contracts without separation of goods and services </td> <td> Taxable on installation works (6%) Subject to sales tax on the entire contract value </td> </tr> <tr> <td>Non-registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts without separation of goods and services </td> <td>Taxable on the entire contract value (6%)</td> </tr> </tbody> </table>	Nature	Service Tax	Construction work on commercial buildings and its public facilities	Taxable (6%)	Construction work on residential buildings and its public facilities approved by Local Authority for residential use	Exempt	Construction work on commercial building mixed with residential buildings (mixed-development project) <ul style="list-style-type: none"> - Construction work on commercial buildings and its public facilities - Construction work on residential units and its public facilities 	Taxable (6%) Exempt (subject to conditions)	Engineering, Procurement, Construction and Commissioning (EPCC) contract <ul style="list-style-type: none"> - Construction of ships or platforms - Manufacturing of ships or platforms 	Exempt Subject to sales tax	Registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts separating goods and services components - Installation contracts without separation of goods and services 	Taxable on installation works (6%) Subject to sales tax on the entire contract value	Non-registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts without separation of goods and services 	Taxable on the entire contract value (6%)
Nature	Service Tax														
Construction work on commercial buildings and its public facilities	Taxable (6%)														
Construction work on residential buildings and its public facilities approved by Local Authority for residential use	Exempt														
Construction work on commercial building mixed with residential buildings (mixed-development project) <ul style="list-style-type: none"> - Construction work on commercial buildings and its public facilities - Construction work on residential units and its public facilities 	Taxable (6%) Exempt (subject to conditions)														
Engineering, Procurement, Construction and Commissioning (EPCC) contract <ul style="list-style-type: none"> - Construction of ships or platforms - Manufacturing of ships or platforms 	Exempt Subject to sales tax														
Registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts separating goods and services components - Installation contracts without separation of goods and services 	Taxable on installation works (6%) Subject to sales tax on the entire contract value														
Non-registered manufacturers carrying out installation work <ul style="list-style-type: none"> - Installation contracts without separation of goods and services 	Taxable on the entire contract value (6%)														

Part 6: Service Tax Updates

Service Tax	Description																														
STA 17.03.26	Guide On Construction Work Services (cont'd)																														
	<table border="1"> <thead> <tr> <th>Nature</th> <th>Service Tax</th> </tr> </thead> <tbody> <tr> <td>Repair and maintenance during construction</td> <td></td> </tr> <tr> <td>- Repair / Maintenance works not within the scope of construction contract</td> <td>Taxable (8%)</td> </tr> <tr> <td>- Repair / Maintenance during construction period (part of the construction work)</td> <td>Taxable (6%)</td> </tr> <tr> <td>- Repair / Maintenance during construction under a separate maintenance contract</td> <td>Taxable (8%)</td> </tr> <tr> <td>Procurement of professional services directly related to construction project, by main contractors under design-and-build contracts (effective from 1 July 2025)</td> <td>Exempt (subject to conditions)</td> </tr> <tr> <td>Construction work services provided to the Federal and State Governments (not including Government-Linked Company)</td> <td>Exempt</td> </tr> <tr> <td>Construction work services provided to Local Authorities</td> <td></td> </tr> <tr> <td>- 1 July 2025 to 30 September 2025</td> <td>Exempt</td> </tr> <tr> <td>- 1 October 2025 onwards</td> <td>Taxable (6%)</td> </tr> <tr> <td>Non-Reviewable Contract</td> <td></td> </tr> <tr> <td>- 1 July 2025 to 30 June 2027</td> <td>Exempt (subject to condition)</td> </tr> <tr> <td>- 1 July 2027 onwards</td> <td>Taxable (6%)</td> </tr> <tr> <td>Construction works for religious worship and public facilities related to worship buildings (effective from 1 July 2025)</td> <td>Exempt (subject to condition)</td> </tr> <tr> <td>Facilitation of renovation works on existing non-residential buildings converted for use as places of religious worship</td> <td>Exempt (subject to condition)</td> </tr> </tbody> </table>	Nature	Service Tax	Repair and maintenance during construction		- Repair / Maintenance works not within the scope of construction contract	Taxable (8%)	- Repair / Maintenance during construction period (part of the construction work)	Taxable (6%)	- Repair / Maintenance during construction under a separate maintenance contract	Taxable (8%)	Procurement of professional services directly related to construction project, by main contractors under design-and-build contracts (effective from 1 July 2025)	Exempt (subject to conditions)	Construction work services provided to the Federal and State Governments (not including Government-Linked Company)	Exempt	Construction work services provided to Local Authorities		- 1 July 2025 to 30 September 2025	Exempt	- 1 October 2025 onwards	Taxable (6%)	Non-Reviewable Contract		- 1 July 2025 to 30 June 2027	Exempt (subject to condition)	- 1 July 2027 onwards	Taxable (6%)	Construction works for religious worship and public facilities related to worship buildings (effective from 1 July 2025)	Exempt (subject to condition)	Facilitation of renovation works on existing non-residential buildings converted for use as places of religious worship	Exempt (subject to condition)
Nature	Service Tax																														
Repair and maintenance during construction																															
- Repair / Maintenance works not within the scope of construction contract	Taxable (8%)																														
- Repair / Maintenance during construction period (part of the construction work)	Taxable (6%)																														
- Repair / Maintenance during construction under a separate maintenance contract	Taxable (8%)																														
Procurement of professional services directly related to construction project, by main contractors under design-and-build contracts (effective from 1 July 2025)	Exempt (subject to conditions)																														
Construction work services provided to the Federal and State Governments (not including Government-Linked Company)	Exempt																														
Construction work services provided to Local Authorities																															
- 1 July 2025 to 30 September 2025	Exempt																														
- 1 October 2025 onwards	Taxable (6%)																														
Non-Reviewable Contract																															
- 1 July 2025 to 30 June 2027	Exempt (subject to condition)																														
- 1 July 2027 onwards	Taxable (6%)																														
Construction works for religious worship and public facilities related to worship buildings (effective from 1 July 2025)	Exempt (subject to condition)																														
Facilitation of renovation works on existing non-residential buildings converted for use as places of religious worship	Exempt (subject to condition)																														

Part 6: Service Tax Updates

Service Tax	Description
STA 17.03.26	<p data-bbox="311 364 896 395">Guide On Construction Work Services (cont'd)</p> <p data-bbox="311 430 522 462">Updates on FAQ</p> <ol data-bbox="311 493 1329 1094" style="list-style-type: none"><li data-bbox="311 493 1329 586">i. It is clarified that once the company has registered as a taxable person under Group L, effective 1 September 2025, the company is required to charge service tax regardless of whether the RM1.5 million threshold has been reached.<li data-bbox="311 617 1329 689">ii. Where service tax has already been accounted for and paid on the retention sum based on the invoice issued, no further service tax is chargeable upon its release.<li data-bbox="311 721 1329 876">iii. A registered manufacturer supplying and installing construction materials shall apply sales tax to the entire amount if goods and installation are not separately itemized. Where separately stated, goods are subject to sales tax and installation services to service tax. Supply of materials only to a subcontractor is subject to sales tax only;<li data-bbox="311 907 1329 980">iv. Construction contract without the opportunity for review includes a written contract with no general review of services for a specified period.<li data-bbox="311 1011 1329 1094">v. It is clarified that where the sale of air conditioners and installation services for commercial buildings are separately itemized, the 6% service tax is applicable only to the installation services. <p data-bbox="311 1135 1043 1166">For full details, reference should be made to the STA 17.03.26.</p>

Part 6: Service Tax Updates

Service Tax	Description
STA 01.03.26	<p data-bbox="307 354 1021 385">Guide on Private Healthcare and Health-Related Services</p> <p data-bbox="307 420 1320 607">This guideline replaces the guide dated 9 June 2025 on private healthcare and health-related services and further clarification on the definitions of “citizen” and “non-citizen,” and expands the scope of services. It clarifies that healthcare services provided by private healthcare facilities, private traditional and complementary medicine practitioners, and private allied health services are subject to service tax. The number of FAQs has increased significantly, from 10 to 44.</p> <p data-bbox="307 642 1285 673">The above taxable services are subject to 6% service tax effective from 1 July 2025.</p> <p data-bbox="307 708 1328 895">Service tax registration is required when the taxable value of healthcare-related services provided by private healthcare facilities, private traditional and complementary medicine providers and private allied health service providers to Malaysian citizens and non-citizens reaches RM1,500,000 within any 12-month period. At this threshold, the person operating or providing such services must register as a taxable person and charge service tax.</p> <p data-bbox="307 930 1320 992">“Citizen” refers to an individual who holds Malaysian citizenship status as stated in the identity card or birth certificate issued by the National Registration Department (JPN).</p> <p data-bbox="307 1027 1292 1120">“Non-citizen” refers to an individual who is not a Malaysian citizen in accordance with the citizenship laws of Malaysia. It also includes any person holding identification documents such as:</p> <ul data-bbox="307 1125 1092 1249" style="list-style-type: none">(a) a foreign national with a passport or visa;(b) a permanent resident (PR) with a MyPR identification document;(c) a temporary resident with a MyKAS identification document; or(d) a non-citizen birth certificate. <p data-bbox="307 1282 1328 1437">All medical aids supplied to non-citizen patients by private healthcare facilities are subject to service tax. Medical aids include products or devices that assist individuals with health limitations, such as visual aids, hearing aids, prosthetics, orthotics, and other mobility or daily living assistive devices. A list of medical aids provided to patients can be found in paragraph 17(v).</p> <p data-bbox="307 1473 985 1504">Private Traditional and Complementary Medicine Services</p> <p data-bbox="307 1539 1328 1663">Any person who operates or provides premises for private traditional and complementary medicine services is liable to be registered for service tax if the operator, premises provider, or personnel at such premises are registered practitioners under the Traditional and Complementary Medicine Act 2016 (Act 775).</p> <p data-bbox="307 1699 1328 1854">However, if the operator or service provider and its personnel are not registered practitioners under the Traditional and Complementary Medicine Act 2016 (Act 775), the operator or service provider shall be liable to be registered for service tax under the category of wellness centres as specified in item 2, column (1), Group C of the First Schedule of the Service Tax Regulations 2018.</p>

Part 6: Service Tax Updates

Service Tax	Description
STA 01.03.26	<p data-bbox="307 364 1125 395">Guide on Private Healthcare and Health-Related Services (cont'd)</p> <p data-bbox="307 462 654 493">Private Allied Health Services</p> <p data-bbox="307 524 1329 648">An operator or provider of premises for activities related to private allied healthcare is not liable to be registered for service tax if the entire value of such services is provided to other private healthcare facilities, including professional doctors or private healthcare practitioners.</p> <p data-bbox="307 679 1329 779">For example, services involving the collection of patient specimen samples for laboratory testing, such as blood tests or fluid samples like urine, provided to private hospitals, private clinics, or private medical professionals.</p> <p data-bbox="307 810 625 841">Accounting for Service Tax</p> <p data-bbox="307 872 1289 971">All values of services that have been granted exemption must be declared in column 18(c)(3) of the SST-02 return. The total value of exempted services includes the following:</p> <ul data-bbox="307 1002 1315 1353" style="list-style-type: none"><li data-bbox="307 1002 1315 1127">i. Private healthcare services, private traditional and complementary medicine services, and private allied healthcare services provided to Malaysian citizens. The exemption is granted under the Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2025.<li data-bbox="307 1158 1315 1353">ii. Consultation fees charged by professional doctors in private healthcare facilities, practitioners of private traditional and complementary medicine services, and practitioners of private allied healthcare services. The exemption from service tax is granted under the authority of the Minister of Finance pursuant to Sections 34(3)(a) and 34(4) of the Service Tax Act 2018, provided that such consultation fees are separately stated from other charges in the same invoice. <p data-bbox="307 1384 1036 1415">For full details, reference should be made to the STA 01.03.26.</p>

Part 7: Other Updates

Responses from CTIM	Description				
<p>Tech-DT 20/2026</p>	<p>Clarification with Inland Revenue Board (“IRB”) on Income Tax (Deduction for Expenditure in relation to Environmental Preservation, Social and Governance) Rules 2025 [P.U. (A) 193/2025]</p> <p>Date of Publication : 16 March 2026</p> <p>In response to the Chartered Tax Institute of Malaysia’s inquiry dated 12 March 2026 on Income Tax (Deduction for Expenditure in relation to Environmental Preservation, Social and Governance) Rules 2025, Inland Revenue Board of Malaysia has provided the following clarification:</p> <p>Deductions are permitted only for costs incurred in preparing a Contemporaneous Transfer Pricing Documentation (“CTPD”) that fully complies with Rule 4 of the Transfer Pricing Rules 2023. As such, only expenses incurred for the preparation of a full CTPD and reimbursement for cost incurred in the preparation of a CTPD, including the purchase of financial statement, may qualify for deduction for YA 2023 and onwards. In other words, expenses incurred for the preparation of a minimum CTPD and reimbursements or out-of-pocket expenses do not qualify for deduction.</p> <p>In addition, micro enterprises and small-to-medium enterprises may claim a tax deduction for consultation fees incurred in developing customized software for implementing electronic invoicing and obtaining services from external service providers. However, deductions do not apply to the following:</p> <ul style="list-style-type: none"> i) Costs incurred during the planning stage or preliminary procedures for the software development; ii) Consultation fees related to issuing electronic invoices via the MyInvois Portal; and iii) Reimbursements or out-of-pocket expenses. <table border="1" data-bbox="315 1353 1320 1839"> <thead> <tr> <th data-bbox="315 1353 819 1435">Qualifying Expenditure</th> <th data-bbox="819 1353 1320 1435">Non-Qualifying Expenditure</th> </tr> </thead> <tbody> <tr> <td data-bbox="315 1435 819 1839"> <p>Fees incurred for the Years of Assessment (YAs) 2024 to 2027 in relation to preparation of CTPD:</p> <ul style="list-style-type: none"> i) Cost of preparation of full CTPD for the YAs 2023 to 2026; and ii) Fees incurred for reviewing the CTPD and conducting benchmarking analysis by the external service provider. </td> <td data-bbox="819 1435 1320 1839"> <p>Reimbursements or out-of-pocket expenses includes the following:</p> <ul style="list-style-type: none"> i) Information and communication technology charges; ii) Telephone and internet charges; iii) Travelling expenses; iv) Meal allowances; and v) Accommodation expenses. </td> </tr> </tbody> </table>	Qualifying Expenditure	Non-Qualifying Expenditure	<p>Fees incurred for the Years of Assessment (YAs) 2024 to 2027 in relation to preparation of CTPD:</p> <ul style="list-style-type: none"> i) Cost of preparation of full CTPD for the YAs 2023 to 2026; and ii) Fees incurred for reviewing the CTPD and conducting benchmarking analysis by the external service provider. 	<p>Reimbursements or out-of-pocket expenses includes the following:</p> <ul style="list-style-type: none"> i) Information and communication technology charges; ii) Telephone and internet charges; iii) Travelling expenses; iv) Meal allowances; and v) Accommodation expenses.
Qualifying Expenditure	Non-Qualifying Expenditure				
<p>Fees incurred for the Years of Assessment (YAs) 2024 to 2027 in relation to preparation of CTPD:</p> <ul style="list-style-type: none"> i) Cost of preparation of full CTPD for the YAs 2023 to 2026; and ii) Fees incurred for reviewing the CTPD and conducting benchmarking analysis by the external service provider. 	<p>Reimbursements or out-of-pocket expenses includes the following:</p> <ul style="list-style-type: none"> i) Information and communication technology charges; ii) Telephone and internet charges; iii) Travelling expenses; iv) Meal allowances; and v) Accommodation expenses. 				

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

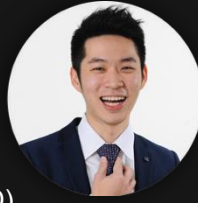
Tel : +6016 – 834 4933
Email : admin@ancgroup.biz

Selangor

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

Singapore

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



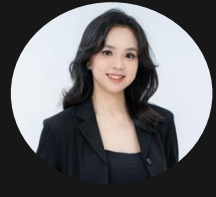
Song Liew
Tax Partner
admin@ancgroup.biz



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

Services		
Business Advisory	Corporate Services	Accounting Services
HR & Payroll Services	Tax Compliance	Business Incorporation
Indirect Tax Advisory	Tax Advisory and Consultation	Training & Development
Transfer Pricing	Assurance	Due Diligence
Business Expansion Advisory in ASEAN and Labuan	Content, Strategist and Innovation	

This taxletter offers non-binding information and is intended for general information purposes only. It is not intended as legal, tax or business administration advice and cannot be relied upon as individual advice. When compiling this taxletter and the information included herein, ANC Hub Tax Advisory Sdn Bhd ("ANC Group") used every endeavour to observe due diligence as best as possible, nevertheless, ANC Group cannot be held liable for the correctness, up-to-date content or completeness of the presented information.

The information included herein does not relate to any specific case of an individual or a legal entity, therefore, it is advised that professional advice on individual cases is always sought. ANC Group assumes no responsibility for decisions made by the reader based on this leaflet. Should you have further questions please contact ANC Group contact persons.

