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TAXLETTER

Recent Gazette Orders, Indirect Tax and Other Updates

15 May 2026

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Part 1: Recent Gazette Orders

Gazette Orders	Description
P.U. (A) 162	**Income Tax (Accelerated Capital Allowance)(Information and Communication Technology Equipment for the Implementation of Electronic Invoice) Rules 2026** Date of Publication : 7 April 2026 Effective from Years of Assessment ("YAs") 2024 to 2027, a person resident in Malaysia may claim Accelerated Capital Allowance ("ACA") on the purchase and installation of Information and Communication Technology ("ICT") Equipment for e-invoice implementation used in the business. The ACA consists of an initial allowance of 20% and an annual allowance of 40%, allowing the cost to be fully claimed within 2 years. The claim is subject to compliance with the prescribed e-invoice implementation timeline and requirements issued by the Director General, where no relaxation has been granted for e-invoice issuance and the business must be registered with the relevant authorities. For full details, reference should be made to P.U. (A) 162.

Gazette Orders	Description
P.U. (A) 163	**Income Tax (ACA)(Development Cost for Customized Computer Software for the Implementation of Electronic Invoice) Rules 2026** Date of Publication : 7 April 2026 Effective from YAs 2024 to 2027, a person resident in Malaysia may claim ACA on software development costs for e-invoicing use in the business, including consultation fees, software ownership rights and related incidental expenses. Such costs are deemed incurred in the year the software is capable to be used for business purposes. The ACA consists of an initial allowance of 20% and an annual allowance of 40%, allowing the cost to be fully claimed within 2 years. Similar to above P.U. (A) 162, the claim is subject to compliance with the prescribed e-invoice implementation timeline and requirements issued by the Director General, where no relaxation has been granted for e-invoice issuance and the business must be registered with the relevant authorities. For full details, reference should be made to P.U. (A) 163.

Part 1: Recent Gazette Orders

Gazette Orders	Description
P.U. (A) 164	**Income Tax (Tour Operator Company) (Exemption) Order 2026** Date of Gazette : 7 April 2026 Effective from YAs 2026 to 2027, income tax exemption is granted on statutory income derived from a "qualifying activity" in an amount equivalent to the "value of increase in income". "Value of increase in income" refers to the increment in business income derived from the operation of tourism packages within Malaysia in the current basis period compared to the immediately preceding basis period. It is computed as the difference between the two periods' tourism package income. The exemption applies only if there is at least 1,000 foreign tourists for qualify activity in that YA. The total number of foreign tourists for a qualifying activity must verified in writing by a Ministry of Tourism, Arts and Culture Malaysia. A "qualifying person" is as defined under paragraph 2, while a "qualifying activity" is defined under paragraph 3 of this Order. Where both qualifying and non-qualifying activities are carried on, each is treated as a separate and distinct source, with separate accounts maintained accordingly. For full details, reference should be made to P.U. (A) 164.
Gazette Orders	**Description**
P.U. (A) 165	**Sales Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2026** Date of Publication : 8 April 2026 Effective from 9 April 2026, Schedule A of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 [P.U. (A) 210/2018] has been amended to include a very low sulfur fuel oil, namely B24, under subheading 2710.20.00 00 of the prevailing Customs Duties Order within the scope of exempted goods under items 58 and 58A, for supply to the master or chief engineer of a vessel or the master of fishing boats. Besides, the 2026 also update the new of service providers :- FlyFirefly Sdn Bhd and Aerodarat Services Sdn Bhd.

Part 2: Sales Tax Updates

Service Tax	Description
STA 06.03.26	**Guide to Registrations under the Sales Tax Act 2018 ("STA")** **Date of Publication : 6 March 2026** This guide replaces the 25 August 2018 guide under the STA and introduces several critical updates regarding legal terminology, administrative procedures and enforcement. The 2026 guide adds dedicated Terminology section (Section 2) that formally defined key terms such as *Borang* SST-01 (registration form), *Penyata* SST-02 (return form) and MySST (the digital portal) Apart from reference updated with legal order, specifically the Sales Tax (Rate of Tax) Order 2025 ("2025 Order") and Public Ruling No. 1/2025 regarding SST-02 return form, proving a more current legal framework, the guide also explicitly lists the 10% tax rate with exceptions of 5% or specific rates as detail in the 2025 Order. It provide much stricter and more detail instruction on how a registered manufacturer must notify the Royal Malaysian Customs Department (RMCD") of changes : a. Notification to *Bahagian Cukai Dalam Negeri, Ibu Pejabat* - change in business address involving a change in controlling station, amendments to taxable periods, reactivation of registration or changes to email addresses b. Notification to *Stesen Mengawal* – change of business name, registered address, partners, business status, MySST password resets or adding/closing business premises c. Self-Service Updates : manufacturer can independently update their trade name, correspondence address and the addition of other taxable goods directly within the MySST system. A significant update is the introduction of criminal penalties for non-compliance by liquidators and receivers: a. Specific Fines : Liquidators or receivers who fail to provide a written 14-day notice of their appointment or fail to set aside tax payments before disposing of assets can now be fined up to RM10,000 upon conviction. b. Joint Liability : if there are multiple liquidators, they are jointly and severally liable for any tax due. The 2026 guide includes Appendix 1, which provides actual screenshots of the MySST registration portal, guiding the user through the digital application process step-by-step. **Updates on FAQ** FAQs address contemporary issues, such as what to do if goods previously exempt become taxable (using a July 2025 scenario) For full details, reference should be made to the STA 06.03.26.

Part 3: Service Tax Updates

Service Tax	Description
STA 26.02.26	**Guide on Information Technology Services ("ITS")** This guideline replaces the 9 August 2019 guide on ITS and updates the tax treatment of ITS. Effective from 1 January 2020, ITS includes distribution or resale of ITS services on behalf of any person. Subsequently, effective from 1 March 2024, the service tax rate is increased from 6% to 8% on all existing taxable services (included ITS), except food and beverage services, telecommunications services, parking services and logistics services. In line with the updates, the list of taxable ITS services has been further refined as follows (the list is non-exhaustive):- a) The provision of software by a software developer; b) Development of online platforms; c) Services related to the development, customization or provision of computer systems; d) Installation or setup of computer systems, where such services are not part of the purchase of hardware; e) Installation of software into hardware, where such services are not part of the purchase of the hardware; f) Software support and maintenance services; g) Recurring payments, subscriptions or maintenance for the continuous use and updating of web-related services, such as the development, customization and maintenance of web pages, websites, web portals and online platforms; h) Updates to new versions, upgrades or modifications of data, systems or software; i) Cloud services; j) Managed data centre services, including management and connectivity services. Data centres also provide rack space and hardware rental, which are not subject to service tax as they are not services; k) Administrative fees for data, systems or software;

Part 3: Service Tax Updates

Service Tax	Description
STA 26.02.26	**Guide on Information Technology Services (ITS) (cont'd)** l) Information technology advisory or consultancy services relating to data and systems (hardware and/or software), including security protection for data or system; and m) Management of information technology services. Other information technology related services that are also subject to service tax include the following (the list is not exhaustive): a) Training services; b) Provision of security guards to ensure the physical security of hardware or servers; c) Hardware maintenance management; d) Repair of information technology equipment or hardware; e) Charges for storage or co-location of hardware or servers; and f) Leasing or rental of computers, hardware and servers. Some ITS that are not subject to service tax include the following: a) Installation of computers, hardware or servers; and b) Operating system software supplied together with hardware. However, there are situations where ITS are supplied together with goods and other services such as installation, software, and training as a package and the contract is treated as a sale of goods. In such cases, the transaction is not subject to service tax. It is further clarified that the exempted taxable service must not be for the provider's own use (i.e. no self-consumption by the taxable person). In addition, service tax is also imposed on imported taxable services where ITS are received from a provider outside Malaysia in the course of its business.

Part 3: Service Tax Updates

Service Tax	Description
STA 26.02.26	**Guide on Information Technology Services (ITS) (cont'd)** However, effective from 1 January 2020, IT service providers are exempted from paying service tax on imported IT services received from outside Malaysia, subject to the conditions prescribed under the Service Tax (Persons Exempted from Payment of Tax) Order 2018 as follows: a) The IT service provider receiving the service is a registered person. b) The IT service received is the same type of IT service that the provider offers or sells. c) The IT service must not be for the provider's own use (i.e. no self-consumption by the taxable person). Group relief applies to imported taxable services where a company in Malaysia receives such services from another company within the same group of companies located outside Malaysia, as provided under Paragraph 3A, First Schedule of the STR. Reclassification of Maintenance and Rental Services With effective from (w.e.f) 26 February 2024, the maintenance and repair of IT hardware (i.e. PC, printers, and network equipment) is no longer categorized strictly under ITS but is moved to item (n), Group G The rental or leasing of computers, hardware and servers is now taxable under Group K, effective 1 July 2025, Charges for co-location (storing hardware / servers in a data center) are not taxable under Group K, effective 1 July 2026. For full details, reference should be made to the STA 26.02.26.

Part 3: Service Tax Updates

Service Tax	Description
PR 01/2026	**Determination of Foreign Currency Exchange Rate for Service Tax Invoice and Sales Tax Invoice** Date of Publication : 31 March 2026 This public ruling explains how registered service tax persons and registered sales tax manufacturers in Malaysia should determine the exchange rate when an invoice for services or sales is stated in a foreign currency other than the Malaysian Ringgit. Where invoices are issued in foreign currency, registered persons must also state the equivalent amount in Malaysian Ringgit using the foreign currency selling exchange rate applied in Malaysia at the relevant transaction date. The exchange rate may be sourced from the following: a) Bank Negara Malaysia (“BNM”); b) Any commercial banks in Malaysia registered with BNM; c) International news agencies such as Bloomberg, Reuters and OANDA; or d) Foreign central banks. The selected exchange rate source must be applied consistently for at least one 1 year from the end of the accounting period. Any alternative source requires approval from the Royal Malaysian Customs Department (“RMCD”). For imported goods, the exchange rate prescribed by Customs at the time of importation applies, while imported taxable services must use the exchange rate applicable at the time the services are performed.

Part 3: Service Tax Updates

Service Tax	Description
STP No. 1/2025	**Service Tax Policy No. 1/2025 (Amendment No. 4)** Date of Publication : 1 April 2026 This Service Tax Policy supersedes Service Tax Policy No. 1/2025 (Amendment No. 4) issued on 17 October 2025 and provides updated guidance and additional clarification in relation to the service tax exemption for financial services under Group H of the First Schedule to the STR 2018, effective from 1 July 2025. Items 5 and 6, covering financial services acquired by registered persons (B2B transactions) and imported financial services by registered financial service providers, remain exempt from service tax. However, the exemption condition has been updated. The reference to "Service Tax Policy No. 3/2021 (STP 3/2021)" is now replaced and incorporated under Item 12 of the updated Service Tax Policy on financial services under Group H of the STR 2018: Item 12 Effective 1 January 2022, brokerage services relating to trading of shares are exempt from service tax, subject to the following conditions: a) The service provider is a registered person under the Service Tax Act 2018; and b) The exemption applies only to the trading of shares listed on Bursa Malaysia. Item 13 In addition, from 1 October 2024, fees or commissions for services via a domestic commodity trading platform are also exempt, subject to: certain conditions: a) The service provider is a registered person under the Service Tax Act 2018; b) The recipient is a financial service provider; and c) The fees or commissions relate to Islamic financial services provided to customers. For transitional purposes, service tax collected up to 30 September 2024 must be remitted to RMCD in accordance with the Service Tax Act 2018. No refunds will be given for tax paid before 1 October 2024. RMCD may also recover service tax from unregistered or non-compliant service providers. For full details, reference should be made to STP No. 1/2025.

Part 4: Other Updates

<table>
<tr><th>Guideline</th><th>Description</th></tr>
<tr><td>Version 4.7</td><td>

E-Invoice Specific Guideline (Version 4.7)

Date of Publication : 20 April 2026

This Version 4.7 guideline supersedes Version 4.6 issued on 5 January 2026. The only amendment introduced in this version is the extension of the interim relaxation period for Phase 4 of the e-Invoice implementation granted to taxpayers. It has been updated in Table 16.1 of page 121. Kindly refer to the table below for further information:

<table>
<tr><th>Phase</th><th>Targeted Taxpayers</th><th>Interim Relaxation Period</th></tr>
<tr><td>1</td><td>Taxpayers with annual turnover or revenue exceeding RM100 million</td><td>1 August 2024 to
31 January 2025</td></tr>
<tr><td>2</td><td>Taxpayers with annual turnover or revenue exceeding RM25 million and up to RM100 million</td><td>1 January 2025 to
30 June 2025</td></tr>
<tr><td>3</td><td>Taxpayers with annual turnover or revenue exceeding RM5 million and up to RM25 million</td><td>1 July 2025 to
31 December 2025</td></tr>
<tr><td>4</td><td>Taxpayers with annual turnover or revenue of up to RM5 million, comprising:

i) Taxpayers scheduled for e-Invoice implementation on 1 January 2026; and

ii) Taxpayers scheduled for e-Invoice implementation on 1 July 2026.</td><td>Until 31 December 2027</td></tr>
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Part 4: Other Updates

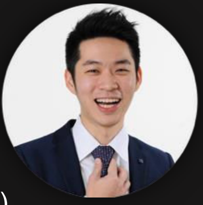
News	Description
Updates/01/05	**Post-Maternity Leave Allowance** Date of Publication : 1 May 2026 The Government has proposed a post-maternity leave allowance through amendments to the Employment Insurance System Act 2017 to support women's participation in the workforce and reduce resignations after childbirth. The initiative was announced by Prime Minister Anwar Ibrahim during the 2026 National Workers' Day Celebration. Under the proposal, eligible insured female employees may receive a one-off allowance equivalent to 80% of their assumed monthly salary for up to 30 additional days of leave after the existing 98-day maternity leave period. The initiative is expected to benefit more than 132,000 female workers nationwide.

Media Release	Description
Updates/06/05	**Cessation of Special Exemption for Completely Built-Up ("CBU") Electric Vehicle Imports** Date of Publication : 6 May 2026 The Ministry of Investment, Trade and Industry ("MITI") announced that the special exemption for importing electric vehicles ("EVs") under Franchise Approved Permits in CBU form ended on 31 December 2025. As a result, the EV CBU policy has reverted to the regulatory framework in place prior to the special exemption period from 2021 to 2025. However, MITI allows companies to continue selling existing EV stock, including inventory on hand, stock at ports and stock in transit, under the previous exemption conditions until all units are cleared. This is to ensure an orderly transition and to avoid market disruption. Effective 1 July 2026, all imported CBU EVs will be subject to two key requirements: i) A minimum Cost, Insurance and Freight ("CIF") value of RM200,000; and ii) A revised minimum motor power threshold of 180kW and above. Malaysia's earlier incentive allowing broader importation of foreign-built EVs has ended. W.e.f. 1 July 2026 onwards, only more premium EVs and relatively higher-powered EVs (180kW+) can generally qualify for CBU importation under the Franchise AP framework held on 30 April 2026. Malaysia encourage local assembly and protect Malaysia's local automotive ecosystem.

Part 4: Other Updates

Circular	Description
600-2/4/1(35)	**Expansion of the *Skim LINDUNG 24 Jam*** Date of Publication : 28 April 2026 This circular clarifies the implementation of the expanded of the *skim LINDUNGAN 24 Jam* under PERKESO, particularly in relation to registration requirements, contribution structure, and enforcement. The purpose of the implementation is to provide comprehensive social security protection for employees through 24-hour coverage for accidents not related to employment, including road traffic accidents. In terms of coverage, all employees under Act 4 / the Employment Injury Scheme are required to be registered and insured under the *Skim LINDUNGAN 24 Jam*. This applies to employees and apprentices earning up to the monthly wage ceiling of RM6,000, with no age limit imposed. Accordingly, protection continues throughout the employment period, including after reaching the age of 60. Building on the above coverage principle, existing employees will remain in PERKESO's current records and are not required to be re-registered. However, to ensure proper implementation moving forward, all new employees must be registered effective 1 June 2026 via the ASSIST Portal 2.0. In situations involving multiple employment, only 1 employer is to be nominated for scheme purposes, in accordance with PERKESO's prescribed procedures. Following the registration framework, employers are required to make contributions based on the following: a) First Category for employees newly registered under the scheme below the age of 55; and b) Second Category for employees first registered at age 55 and above, or those who continue employment beyond the age of 60. In line with this structure, the employee contribution rate for the *Skim LINDUNGAN 24 Jam* will be implemented in phases: Phase 1 – 0.75% Phase 2 – 100% Phase 3 – 1.25% Accordingly, the corresponding contributions shall be submitted on a monthly basis in accordance with the existing PERKESO/SOCSO payment framework. The submission due date follows the standard SOCSO contribution deadline, i.e. by the 15th of the following month. For full details, reference should be made to the 600-2/4/1(35).

Our Offices



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