TAXLETTER 54

Public Ruling, Indirect Taxes, Stamp Duties and Other Updates

15 June 2026

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Part 1: Public Ruling

Public Ruling	Description
No. 3/2026	**Bilateral Credit and Unilateral Credit** Date of Publication : 22 May 2026 Public Ruling ("PR") No. 3/2026 supersedes PR No. 11/2021 dated 31 December 2021 and introduces several amendments, including the redefinition of "foreign tax" and "foreign income". "Foreign tax" is now defined as tax imposed by a foreign territory in which the **same income arises**, rather than being broadly construed as any foreign tax, while continuing to include other taxes of any kind under paragraph 132(4)(d) or section 132A of the Income Tax Act 1967 ("Act"). Additionally, the definition of "foreign income" has been restructured to distinguish between credit types. Under the unilateral tax credit, it refers to income derived from outside Malaysia that is subject to foreign tax and accordingly excludes income derived from Malaysia. In contrast, the bilateral tax credit is clarified to encompass both income derived from outside Malaysia and income derived from Malaysia, provided that such income is subject to foreign tax. Consequential to the above restructuring, the computation formula for the unilateral tax credit has been revised, whereby "foreign income (gross)" is replaced with "foreign income (statutory income)", with all other components remaining unchanged. **Effective from 1 January 2022**, all categories of foreign-sourced income derived from outside Malaysia and received in Malaysia by a resident are generally **subject to tax**, unless specifically exempted by the Minister of Finance. Relief for foreign tax suffered may be claimed in the form of a bilateral or unilateral tax credit pursuant to Sections 132 and 133 of the Act 1967. In addition, effective from 1 January 2024, Malaysia has introduced capital gains tax on gains or profits arising from the disposal of capital assets situated outside Malaysia and received in Malaysia. Such gains are likewise subject to tax in Malaysia and relief for foreign tax suffered may similarly be claimed under Sections 132 and 133 of the Act 1967. For full details, reference should be made to No. 3/2026.

Part 2: Sales Tax Updates

Service Tax	Description
STP 2/2026	**Temporary Measures Regarding the Exemption of Sales Tax and the Waiver of Import Duties due to the Conflict in the Middle East** **Date of Publication : 4 May 2026** This policy provides a temporary exemption from sales tax and import duty for goods manufactured in Malaysia by a registered manufacturer, which were previously exported and subsequently re-imported by the same manufacturer due to disruptions caused by the conflict in the Middle East. The **exemption is granted until 31 December 2026**, subject to strict conditions, to address logistical and trade interruptions such as shipping route changes, port closures, security concerns or cancelled deliveries. The goods must be identical to those originally exported, fully matched in quantity and continuously owned and controlled by the same registered manufacturer throughout the export and re-import process. Supporting documentation must clearly establish the direct link between the export and re-import transactions arising from the conflict-related disruptions and must be retained for audit verification by the Royal Malaysian Customs Department (“RMCD”). RMCD may also impose additional conditions as necessary for implementation and enforcement. Re-imported goods are required to be re-exported within 6 months from the date of importation, with a possible 6-month extension subject to approval by RMCD. If the goods are disposed of or sold in the local market, sales tax and import duty will be imposed in accordance with prevailing laws. This exemption is strictly temporary, limited to the current situation and shall not be treated as a precedent for other cases. For full details, reference should be made to the STP 2/2026.

Part 2: Sales Tax Updates

Service Tax	Description
PR 2/2026	**Meaning of the word "Used" in Regulation 17(1)(g) of the Sales Tax Regulations 2018** **Date of Publication : 18 May 2026** This PR clarifies the meaning of the term "used" under subparagraph 17(1)(g) of the Sales Tax Regulations 2018, in relation to claims for sales tax refund under section 40 of the Sales Tax Act 2018. A refund is only allowed where the taxable goods have not been "used" after importation or after purchase from a registered manufacturer. For the purposes of subparagraph 17(1)(g), "used" refers to any situation where the goods have been subjected to any form of activity after importation or purchase, including any value-adding activity or manufacturing process carried out on the goods. Any activity carried out on the goods after importation or purchase, other than labelling, packaging, or re-packaging, is treated as "use" under the regulation. Such activities, if they go beyond the permitted scope, will disqualify the goods from being considered unused for refund purposes. Labelling, packaging or re-packaging are not considered "use", provided that these activities do not result in any value addition to the goods. For full details, reference should be made to the PR 2/2026.

Part 3: Service Tax Updates

Service Tax	Description
STP 5/2025	**Private Healthcare Services (Amendment No. 3)** Date of Publication : 22 May 2026 This Service Tax Policy ("STP") supersedes STP No. 5/2025 (Amendment No. 2) dated 23 October 2025 and introduces clarifications to the exemption conditions for private healthcare services. In relation to billing requirements for consultation fees, it must be separately itemised in the invoice. Otherwise, service tax shall apply to the total invoice value where no separate disclosure is made. Further, the scope of private healthcare facilities is refined to specifically cover **Group A** (accommodation) and **Group B** (food and beverage) services, replacing the broader reference to other services under the First Schedule. Under this defined scope, service tax applies to all services provided within the premises, including non-taxable services. This treatment is linked to the exemption framework, which applies only to Group A and Group B services up to 30 June 2025, after which full application of service tax takes effect from 1 July 2025 and any service tax imposed and remitted during the exemption period for these services is not refundable. In addition, the exemption conditions for foreign diplomats and their dependents are refined by removing reference to international organizations and now apply specifically upon verification by the Ministry of Foreign Affairs ("MFA"). The exemption is subject to a confirmation letter issued by the MFA and a copy of the letter must be submitted to the private hospital or clinic for record purposes. For full details, reference should be made to the STP 5/2025.

Service Tax	Description
STP 1/2026	**Service Tax Treatment on Health Screening Management Services ("HSMS")** Date of Publication : 4 May 2026 HSMS are required to be registered under the Service Tax Act 2018 ("STA 2018") under the Management Services category not later than 30 April 2026 and service tax is to be charged on such services with effect from **1 May 2026**. An exemption from paying, charging and collecting service tax is granted for HSMS for the period from 1 September 2018 to 30 April 2026 under subsections 34(3)(a) and 34(4) of the STA 2018. Where service tax has been collected during the exemption period, the amount must be remitted to the RMCD in accordance with section 26 of the STA 2018. No refund of service tax is allowed for any tax that has already been paid.

Part 3: Service Tax Updates

Service Tax	Description
MS V5	**Guide on Management Services** Date of Publication : 6 May 2026 This Version 5 Guideline supersedes Version 4 dated 18 July 2025 and introduces clarifications to the application of service tax provision on management services. The description of exempted services has been revised from a specific listing of service categories to a general reference to the First and Second Schedules of the Service Tax (Rate of Tax) Order 2018, as well as the removal of the RM25 annual service tax on credit card and charge card facilities from this provision. Additionally, the example on taxable management services other than those specified in items 13(a) to (i) of the guideline has been updated, where salary reimbursements of employees deployed to a Joint Management Body form part of the consideration for management services and are subject to service tax. For full details, reference should be made to the MS V5.

Service Tax	Description
ETDS V4	**Electricity Transmission and Distribution Services** Date of Publication : 16 April 2026 This Version 4 Guideline supersedes Version 3 dated 27 February 2024 and provides clarification on the service tax provision in relation to electricity transmission and distribution services. Several key changes in definitions and revised tax treatment a. ”Pulau 1” has been added to the list of Designated Area (which already included Labuan, Langkawi, Pangkor and Tioman) where electricity services are not subject to service tax b. Formal definitions introduced for Public Distribution License (“LAP”) holder and Independent Power Producers (“IPP”) c. Change in governance, naming the Ministry of Energy Transition and Water Transformation (“PETRA”) as the body responsible for energy policy d. Joint Management Bodies does not meet the definition of a taxable person because it does not provide both transmission and distribution services. Therefore, its services to domestic users are not taxable e. Holder of LAP are not subject to service tax because they typically purchase electricity from a main supplier and distribute it without providing transmission services. For full details, reference should be made to the ETDS V4.

Part 4: Stamp Duties

Framework	Description
HASiL/2026/05/05 - 28	**Stamp Duty Audit Framework** Date of Publication : 1 January 2026 This Framework supersedes the framework issued on 1 January 2025 and introduces several updates, including limitation of the stamp duty audit period, new offences and penalties on stamp duty compliance. Previously, stamp duty audits on instruments, whether general or comprehensive, could cover up to 3 calendar years. The updated position now limits audits to the **current year and the preceding three years**, except in cases involving fraud or negligence under the relevant provisions of the Stamp Act 1949 (Sections 61, 63, 64, 72A and 74). Stamp duty audit cases are selected through digital analysis based on risk assessment criteria or based on information received from various sources. For such audit cases, it is now emphasized that failure by the stamp duty payer to cooperate (including no response received from taxpayer) with *Inland Revenue Board of Malaysia* constitutes an offence and may result in **a fine of up to RM10,000** under subsection 3A(5) of the Stamp Act 1949. Additionally, stamp duty payers may be subject to a penalty under Section 47A of the Stamp Act 1949 in cases where there is any deficiency or shortfall in duty. The penalty rates have been updated as follows: a) RM50 or 10% of the deficient duty (whichever is higher) if the instrument is stamped within three (3) months after the stamping deadline; or b) RM100 or 20% of the deficient duty (whichever is higher) in all other cases. Other penalty provisions under the Stamp Act 1949 have also been updated accordingly. Stamp duty payers who wish to voluntarily disclose overdue documents may do so prior to the commencement of the relevant audit. However, this voluntary disclosure facility is only available to stamp duty payers who carry out stamping via the e-Stamp Duty system on the MyTax portal. In relation to this voluntary compliance initiative, a Special Voluntary Disclosure Programme 2026 will also be implemented from 1 January 2026 to 30 June 2026, under which penalties under subsection 47A(2) of the Stamp Act 1949 will be waived for instruments executed from 1 January 2023 to 31 December 2025. For full details, reference should be made to the HASiL/2026/05/05 - 28.

Part 5: Other Updates

FAQ	Description
E-INV FAQ	**Frequently Asked Questions ("FAQ") on the Implementation of E-Invoice** Date of Publication : 5 May 2026 This FAQ supersedes the FAQ issued on 5 January 2026 and introduces several updates, including clarifications relating to related companies for E-Invoice purposes as well as the interim relaxation period, which was previously discussed in our Tax Letter No. 53.

Types of Shareholder	Clarification of Related Parties for E-Invoice purposes
Common corporate shareholder	Holds at least 20% of the issued share capital in another company or has control over the operations of the related companies
Common individual shareholder	Not considered as related companies
Common director without any shareholding	Not applicable
Common individual shareholder and director	Not considered as related companies

For full details, reference should be made to the E-INV FAQ.

Media Release	Description
HASiL/2026/05/09 – 30	**E-Invoice Supports Pre-Filled Individual Tax Relief Information** Date of Publication : 9 May 2026 Effective from Year 2026, taxpayers are encouraged to request e-Invoices for expenses that may qualify for individual tax relief for Year of Assessment 2026, so that the information can be pre-filled into the Income Tax Return Form. This initiative strengthens the digital tax ecosystem and improves tax compliance efficiency. To facilitate the issuance of e-Invoices, taxpayers should provide their identification number or Tax Identification Number to their suppliers when making purchases. In addition, taxpayers can view and track their e-Invoice records through the *MyInvois* Portal, allowing for easier management of eligible tax relief expenses. It appears that IRB may be piloting a pre-filing initiative, where e-invoice data are automatically populating details of personal relief, such as lifestyle expenses, medical insurance and childcare fees directly into income tax return form.

Part 5: Other Updates

Media Release	Description
HASiL/2026/05/ 05 - 28	**e-Withholding Tax Collection Appeal Service Available via the MyTax Portal** Date of Publication : 5 May 2026 The *e-Rayuan Pungutan Cukai Pegangan* service has been made available online via the MyTax portal, allowing appeals, applications and enquiries relating to withholding tax to be submitted more easily compared to the previous manual process via the Customer Feedback Form. Various matters are facilitated under this service, including payment adjustments, waiver of penalties, exemptions, refunds and related enquiries, while application status may be accessed at any time, thereby enhancing transparency, improving monitoring capability and ensuring greater convenience for taxpayers. To facilitate access, submissions may be made through different MyTax user roles, namely the individual or director role, or via an authorized representative.

Responses from CTIM	Description
Updates/14/05	**Clarification with Inland Revenue Board (“IRB”) on Income Tax [Deduction for Expenditure in relation to Environmental Preservation, Social and Governance(“ESG”) Rules 2025 [P.U. (A) 193/2025]** Date of Publication : 14 May 2026 As highlighted in our previous update, deductions under the ESG Rules 2025 were understood to be available only in respect of expenses incurred in the preparation of a full Contemporaneous Transfer Pricing Documentation (“CTPD”) that complies with Rule 4 of the Transfer Pricing Rules 2023. Consequently, expenses incurred in the preparation of a minimum CTPD were not regarded as qualifying for deduction. Subsequently, in response to an enquiry raised by the Chartered Tax Institute of Malaysia, the IRB has clarified that the Ministry of Finance (“MOF”), via its letter dated 14 May 2026, has **agreed** to extend the scope of deductions under the ESG Rules 2025 to include expenses incurred in the **preparation of a minimum CTPD for the YAs 2024 to 2027**.

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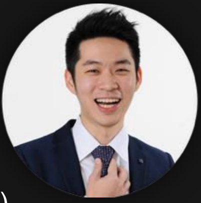

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