

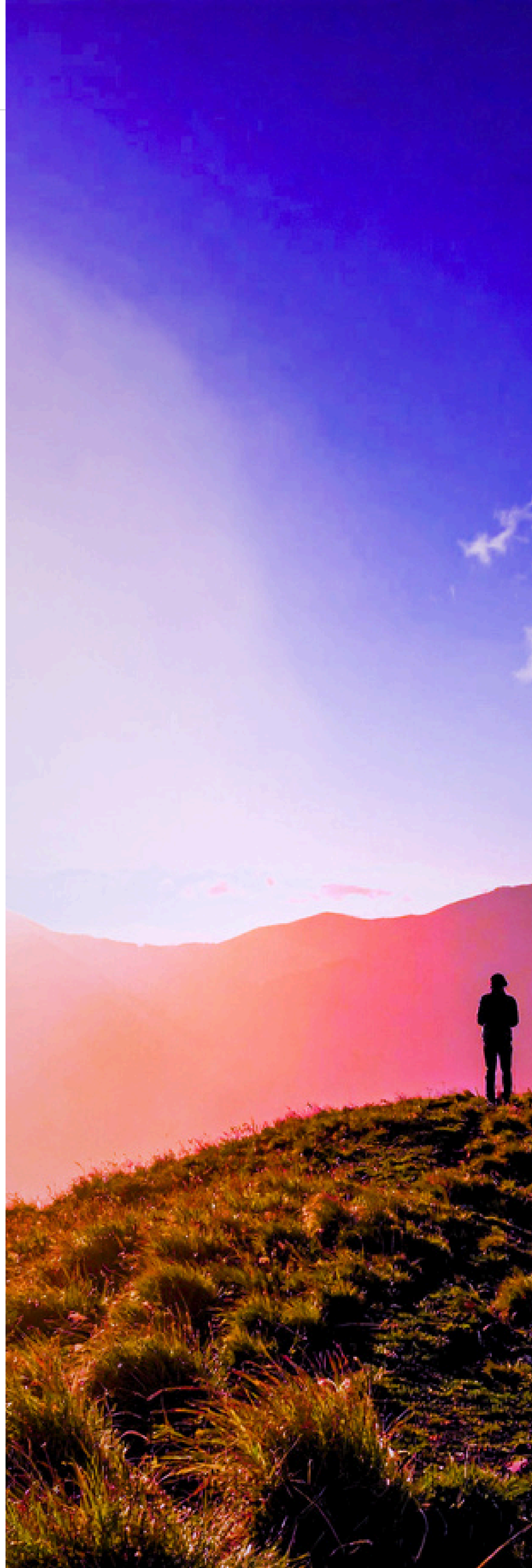
JANUARY-APRIL 2026 UPDATES



Malaysia Tax Update

In a recent move, the Malaysian Government issued a series of indirect tax changes to better structure existing rules, improve transparency, and tighten regulatory adherence.

These developments span across various industries and are expected to influence how businesses operate and comply moving forward.





JANUARY 2026 UPDATE



Invoice SST Update

No	Description	Details
i.	Service Tax on Rental or Leasing Services (Effective 1 January 2026)	The service tax rate reduced from 8% to 6%. In addition, the revised measures aim to support industry players, particularly MSMEs: • Exemption threshold increased from RM1 million to RM1.5 million • Newly established MSMEs granted a 1-year service tax exemption from the date of registration
ii.	Sales Tax Exemption on Critical Inputs (Effective 1 January 2026)	To support key sectors, sales tax exemption is granted on essential inputs used by registered manufacturers in agriculture and livestock: • Animal Feed • Fertilisers • Pesticides
iii.	Extension of Service Tax Exemption for Construction Contracts	The exemption for construction contracts signed before 1 July 2025 and duly stamped before 31 December 2025 (without reviewable clauses) has been extended: • Original period: 1 July 2025 – 30 June 2026 • Extended until: 30 June 2027 This allows eligible contracts to benefit from up to 2 years of service tax exemption.
iv.	Service Tax Exemption for Religious Buildings	Service tax exemption is granted on construction services for places of worship, including: • Surau and mosques • Temples • Churches • Shrines Effective from 1 July 2025, this supports the development of religious and community infrastructure.

E-Invoice Update

No	Description	Details
i.	Extension of Interim Relaxation Period (Phase 4)	For Businesses with annual revenue or turnover of up to RM5 million: • Interim relaxation period extended to 31 December 2026 • Official implementation date remains 1 January 2026
ii.	Consolidation Allowed for Construction Material Sales	Effective 1 January 2026, businesses are allowed to consolidate e-invoices for the sale of construction materials, providing greater operational flexibility. Any single transaction exceeding RM10,000 must still be issued as a standalone e-Invoice.

Rental Service Tax Update

Service Tax

No	Description	Details
i.	Service Tax on Rental or Leasing – STP No. 2/2025 (Amendment No. 3)	On January 2026, the Royal Malaysian Customs Department issued Service Tax Policy No. 2/2025 (Amendment No. 3), replacing all prior versions, including Amendments No. 1 and No. 2. This update aligns with the earlier policy announcement made on 6 January 2026. Key highlights: • Service tax rate reduced from 8% to 6%, effective 1 January 2026. • MSME threshold increased from RM1 million to RM1.5 million • New MSMEs granted 1-year service tax exemption from the date of registration Enhanced compliance requirements: • Eligibility now tied to mandatory registration • Annual declarations required under the MyPMK system Clarifications & consolidated reliefs: • Non-reviewable contracts • Intra-group leasing arrangements • Aircraft and vessel leasing Transitional B2B relief for new registrants.

This update represents a **significant policy reset**, with immediate implications on pricing, compliance, and tax exposure. Businesses involved in leasing or rental activities should reassess their:

- Pricing models
- Exemption eligibility
- Internal controls

Rental Service Tax Update

Income Tax

No	Description	Details
ii.	Guidelines on Tax Treatment of Social Media Influencer Income	On 14 January 2026, the Inland Revenue Board of Malaysia issued new guidelines to provide clarity and standardisation on the taxation of income derived from social and digital media activities. Key principles: • Social media influencing is recognized as a taxable profession • Income is generally treated as business income under Section 4(a) of the Income Tax Act 1967 • Applies regardless of: ◦ Payment form (cash or in-kind) ◦ Location of payer (local or foreign) Scope of taxable income includes: • Platform monetization (ads, views, streams) • Sponsorships and endorsements • Sale of goods or merchandise • Royalties and licensing fees • Appearance fees • Non-cash benefits with measurable value Compliance expectations: • Clear guidance on allowable expenses and capital allowances • Requirement to comply with CP500 instalment payments • Emphasis on proper record-keeping and documentation



FEBRUARY 2026 UPDATE



Stamp Duty

No	Description	Details
i.	Service Tax on Rental or Leasing Services (Effective 1 January 2026)	The Inland Revenue Board of Malaysia has officially launched the Special Voluntary Disclosure Programme (SVDP) for Stamp Duty 2026, effective from 1 January 2026 to 30 June 2026, following the announcement in the Prime Minister’s New Year Address on 5 January 2026. Key features: • Full remission of stamp duty penalties • Applicable to instruments executed between 1 January 2023 and 31 December 2025 • Remission is automatically granted upon payment (no appeal required) Scope and limitations: • Excludes cases involving fraud • Does not cover instruments not voluntarily disclosed • Undisclosed cases remain subject to audit and enforcement Key benefit: • Instruments regularised under the programme will not be subject to audit, providing certainty and closure for taxpayers

Reference:
Guideline available via the Inland Revenue Board of Malaysia
<https://www.hasil.gov.my/media/fyxkb34m/garis-panduan-operasi-layanan-khas-penalti-di-bawah-seksyen-47a-akta-setem-1949-bagi-program-khas-pengakuan-sukarela-duti-setem-2026.pdf>

This programme serves as a **one-off compliance reset**, supporting the transition towards a more structured and digitalized stamping framework.
Recommended Action:

- Taxpayers should **review and regularize outstanding instruments early** to:
- Avoid processing delays
 - Mitigate compliance risks
 - Prevent reinstatement of statutory penalties after **30 June 2026**

**MARCH 2026
UPDATE**



Service Tax

No	Description	Details
i.	Updated Guide on Private Healthcare Services (Version 3)	The Royal Malaysian Customs Department (RMCD) has released Version 3 of the Service Tax Guide on Private Healthcare Services on 6 March 2026, replacing Version 2 issued on 1 July 2025. While there are no new policy changes, this update clarifies: • Further explanations and practical guidance • More detailed examples • Additional FAQs for more clarity The revision aims to improve understanding of service tax application across private healthcare, traditional medicine, and associated health services.
ii.	Revised Guide on Information Technology Services (Version 7)	The RMCD has issued Version 7 of the Service Tax Guide on Information Technology Services on 26 February 2026, replacing Version 5 (8 March 2021). Key highlights: • Represents increase in service tax rate • Covers broadened scope of taxable services • Introduces material policy changes This update significantly impacts: • IT service providers • Resellers • Data centre operators • Corporate groups

Real Property Gains Tax (RPGT)

No	Description	Details
i.	New Operational Guideline on RPGT	The Inland Revenue Board of Malaysia (IRB) issued a new RPGT Operational Guideline on 17 March 2026, supporting the implementation of the Self-Assessment System (SAS) effective from 1 January 2025. Key implications: • Taxpayers are now responsible for self-determining and declaring tax liabilities • Submission of the CKHT return (BNCKHT) is treated as an official assessment • Marks a shift from the previous IRB-led assessment process Although tax rules remain largely unaltered, this introduces: • Higher compliance responsibility • Increased risk exposure for taxpayers

Income Tax

No	Description	Details
i.	Public Ruling No.1/2026 – Returning Expert Programme	The Inland Revenue Board has issued Public Ruling No. 1/2026 dated 16 March 2026, replacing Public Ruling No. 2/2018. Key points: • This is the 2nd edition of the ruling • Provides updated guidance on tax incentives for returning experts • Detailed List of amendments is available on pages 19–20 of the ruling

**APRIL 2026
UPDATE**



Service Tax

No	Description	Details
i.	Service Tax Guide on Construction Work Services	The Royal Malaysian Customs Department (RMCD) issued an updated Service Tax Industry Guide on Construction Work Services on 17 March 2026, replacing the previous version dated 9 June 2025. The most significant revision relates to the treatment of mixed developments: • The 2025 guide treated the entire contract value (including residential and shared facilities) as taxable • The 2026 guide revises this position, introducing a more refined approach: ◦ Residential components and related public facilities are exempt ◦ Commercial/non-residential components remain taxable ◦ Shared areas must be apportioned based on prescribed methodology and documentation

Additional clarifications provided:

- Determination of **registration thresholds** (goods vs services split)
- Tax treatment of **EPCC projects** (ships/platforms)
- Treatment of **registered manufacturers with installation services**
- Distinction between **Group L (construction) and Group G (repair/maintenance)**
- Handling of **retention sums**, including the **12-month rule**

These updates provide greater **practical clarity and defensibility**, particularly for developers and contractors involved in complex projects.

Service Tax

No	Description	Details
ii.	Public Ruling No. 1/2026 – Foreign Currency Exchange Rate	The RMCD issued Public Ruling No. 1/2026 dated 31 March 2026. This ruling clarifies how to determine the selling exchange rate for foreign currency transactions where invoices are issued in currencies other than Malaysian Ringgit. It applies to: • Registered service tax persons • Registered sales tax manufacturers The guidance ensures consistency and accuracy in tax reporting for cross-border and foreign currency transactions. The guidance ensures consistency and accuracy in tax reporting for cross-border and foreign currency transactions.

Income Tax

No	Description	Details
i.	Public Ruling No. 2/2026 – Foreign Nationals Exercising Employment in Malaysia	The Inland Revenue Board of Malaysia issued Public Ruling No. 2/2026 dated 27 March 2026, replacing the earlier version. This updated ruling provides: • Clarification on the tax treatment of foreign employees working in Malaysia • Updated interpretations and amendments (refer to page 18 of the ruling)
ii.	Practice Note No. 2/2026 – REITs and PTFs (YA 2026 onwards)	The Inland Revenue Board has issued Practice Note No. 2/2026 dated 18 March 2026. Purpose: To clarify the tax treatment of income distributions from Real Estate Investment Trusts (REITs) and Property Trust Funds (PTFs) to unit holders (excluding resident companies). Key context: • Applies from Year of Assessment 2026 onwards • Reflects changes following the cessation of certain provisions under the Income Tax Act 1967 This update is particularly relevant for investors and fund managers, ensuring proper tax treatment of distributions moving forward.

Meet our Team



Jess Yang

Tax Managing Partner

jess@morisonlc.com



Chok Wei Hong

Executive Director
Tax Advisory

weihong@morisonlc.com



Saiyid Abdallah Syakir Al-Edrus

Executive Director
Transfer Pricing

saiyid@morisonlc.com



Yvonne Tan

Executive Director

yvonnetan@morisonlc.com



Joanne Loo

Tax Senior Manager

joanne.loo@morisonlc.com



Every stage. A shared journey.

Our expertise. Your peace of mind.

CONTINUE THE CONVERSATION

We welcome you to connect with our experts for an initial consultation to explore how we can support your business. Whether you have specific questions or are seeking strategic insights, our team is here to assist. Together, let's move your business forward with confidence.

 012 - 3613119

 enquiries@morisonlc.com

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