

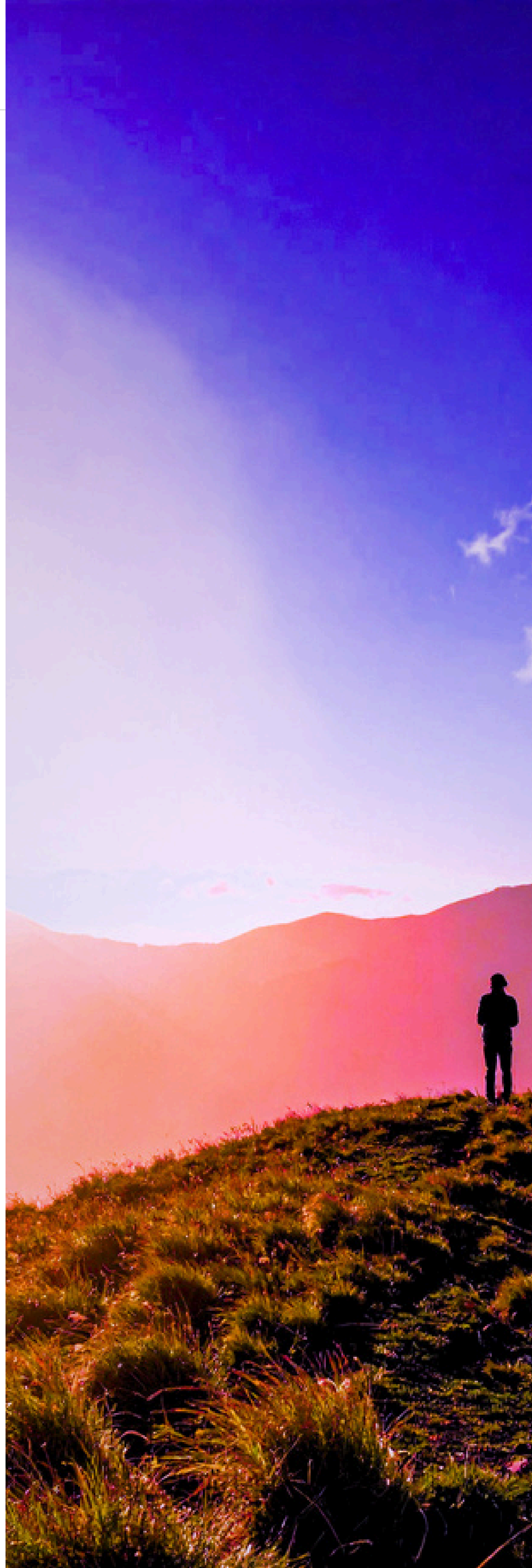
MAY-AUGUST 2026 UPDATES

Commitment. Relationship. Drive

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.



**MAY 2026
UPDATE**



Service Tax Update

Service Tax Policies

No	Description	Details
i.	Service Tax Policy (STP) No. 1/2025 (Amendment No. 4) - Financial Services dated 1 April 2026	• The latest amendment incorporates a specific exemption for brokerage services relating to the trading of shares listed on Bursa Malaysia, which was previously governed under a separate policy. • In addition, a new exemption is introduced for fees or commissions charged through domestic commodity trading platforms used in providing Islamic financial services. • The amendment also updates the references under the B2B and imported financial services exemptions. • Other existing exemptions and transitional reliefs introduced under earlier amendments remain largely unchanged. • The list of amendments is set-out on the last page of the Guide.
ii.	STP No. 1/2026 - Health Screening Management Services (HSMS) dated 4 May 2026.	HSMS providers must be registered as a service tax registered person under the Management Services category no later than 30 April 2026 and charge service tax on such services effective from 1 May 2026.

Service Tax Update

Industry Guides

No	Description	Details
i.	Guide on Transmission and Distribution of Electricity Services dated 16 April 2026.	The summary of amendments is set-out on the last page of the Guide.
ii.	Guide on Management Services dated 6 May 2026	• Overall, the latest guide does not introduce major changes in tax policy or scope of taxation. Instead, the revision mainly serves as an administrative and consolidation update to align the guide with the latest legislative amendments and service tax developments introduced previously. • The guide also reiterates that certain services previously categorised under management services have now been reclassified into separate taxable service categories, particularly logistics management services and maintenance management services. • Apart from editorial improvements, updated terminology and structural refinements, the overall tax treatment, B2B exemption mechanism, group relief provisions and valuation principles remain substantially unchanged.
iii.	Guide on Rental and Leasing Services dated 14 May 2026.	• The updated guide introduces several significant changes affecting landlords, lessors, tenants and businesses involved in rental or leasing arrangements. Most notably, the service tax rate for rental or leasing services has been reduced from 8% to 6%, effective 1 January 2026. The registration threshold has also increased from RM500,000 to more than RM1 million within a 12-month period, potentially reducing the number of businesses required to register under Group K. • The guide also expands the exemption framework, including clearer conditions for non-reviewable contracts, relief for SMEs with annual sales not exceeding RM1.5 million through the MyPMK system, exemptions for newly established SMEs, group relief for intra-group rental or leasing, and exemptions for aircraft and qualifying sea vessel leasing. • Further clarification is provided on operational matters such as utilities recharge, colocation/data centre arrangements, homeself/display rental fees, bundled rental arrangements, and long-term land leases without transfer of ownership. The guide confirms that ancillary charges and bundled costs may be taxable where they are connected to the rental or leasing arrangement. • Businesses involved in rental or leasing should review their contracts, registration status, exemption eligibility and billing structures to ensure compliance with the latest service tax requirements.

**JUNE 2026
UPDATE**



Service Tax

No	Description	Details
i.	e-Rayuan Taksiran: Assessment Appeals Go Online via MyTax	From 1 June 2026, HASiL has made it possible to file an assessment appeal (Form Q), or an application for an extension of time to appeal, against an income tax assessment online through the new e-Rayuan Taksiran service on the MyTax portal. What was previously handled physically and manually at the counter can now be completed entirely online, without the need to attend a HASiL office. How to access the service 1.Log in to the MyTax portal at mytax.hasil.gov.my. 2.Select the appropriate role: Individual, Company Director, Organisation Administrator, or Estate Administrator. 3.Go to ezHasil Services › e-Rayuan › e-Rayuan Taksiran. Companies and non-company entities such as cooperatives, trust bodies and limited liability partnerships submit through the Company Director or Organisation Administrator role. What the facility offers • Submission of an appeal, or an extension of time application, in real time and from any location. • Online tracking of the appeal status throughout the process. • Electronic notifications, including acknowledgement and rejection letters and notices approving an extension of time.
ii.	Parking Space Service Guide Reissued (V4)	On 4 June 2026, the Royal Malaysian Customs Department (RMCD) issued a new version (V4) of the service tax industry guide on parking space services, withdrawing and replacing the version dated 29 February 2024. The headline for operators is that the service tax rate on parking remains 6%, and the registration threshold remains RM500,000 of taxable parking services over a 12 month period. The substantive updates concern valet services, the line between parking and parking management charges, and the removal of transitional content that is now spent.

Service Tax

No	Description	Details
		<u>Valet services</u> V4 clarifies that valet and jockey services are taxable parking services at 6%. It introduces a definition of “valet”, removes the previous condition that valet was taxable only when the parking operator charged for parking, and provides two examples and a new FAQ confirming the 6% tax treatment. One example covers a third-party valet arrangement where the parking operator invoices the customer for both valet and parking services. The previous 2024 exclusion for rental of part of a parking space to a valet operator has also been removed from the list of charges excluded from parking services. <u>The 6% / 8% distinction</u> V4 clarifies that while parking charges are subject to 6% service tax, parking management services provided to a local authority or building owner are treated as a separate taxable service under Group G, item (vii), taxed at 8%. It also confirms through a new FAQ that payment system or information technology services provided to a parking operator fall under Group G, item 8 (information technology services), and are subject to 8% service tax.
iii.	Employment Services Guide Reissued (V4) – Cost Recharges Now Taxable	On 9 June 2026, the Royal Malaysian Customs Department (RMCD) issued Version 4 of the Service Tax Industry Guide on Employment Services, replacing the 14 May 2024 version. Currently available in Malay only, V4 reverses the previous position on cost recharges, confirming that employee-related costs such as salary, levy, work permits and insurance are taxable even when recharged at cost without a mark-up. The employee secondment carve-out has also been narrowed and no longer applies to employment agencies or Professional Employer Organisations (PEOs). <u>The valuation reversal</u> Under the 2024 guide, manpower suppliers could exclude employee-related costs such as salaries, levies, work permits, insurance and mandatory medical costs from service tax when recharged at cost with supporting documents, with tax applied only to the service fee. V4 reverses this position, confirming that all employee-related costs, including salary, wages, SOCSO, EPF contributions and other related expenses, form part of the taxable value under section 9(1)(b) of the Service Tax Act 2018. Recharges of salary, emoluments, levies, work permits and employee insurance are taxable even without a mark-up, while fees based on salary scales or hourly rates remain fully taxable.

Service Tax

No	Description	Details
iii.	Employment Services Guide Reissued (V4) – Cost Recharges Now Taxable	<u>Secondment carve-out tightened</u> Employment services in the form of secondment of employees remain outside the scope of tax, but V4 now imposes seven cumulative conditions. The most significant is new: the original employer’s business activity must be something other than the provision of employment services, which shuts employment agencies and PEOs out of the carve-out entirely. The other conditions require a secondment contract between the original employer and the borrowing company, that the employee works only for the borrowing company during the secondment and returns to the original employer afterwards, that the borrowing company has full control over the employee, and that salary and allowances are borne by the borrowing company at cost with no additional charge of any kind.
iv.	Motor Vehicle Service or Repair Guide Reissued (V3)	On 10 June 2026, RMCD issued Version 3 of the service tax guide on general servicing or repair of motor vehicles withdrawing and replacing the version dated 28 December 2021. Much of the update codifies positions that have applied since the rate change of 1 March 2024, but the guide also widens what RMCD treats as a “motor vehicle” and redirects services previously described as untaxed to other taxable groups.

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



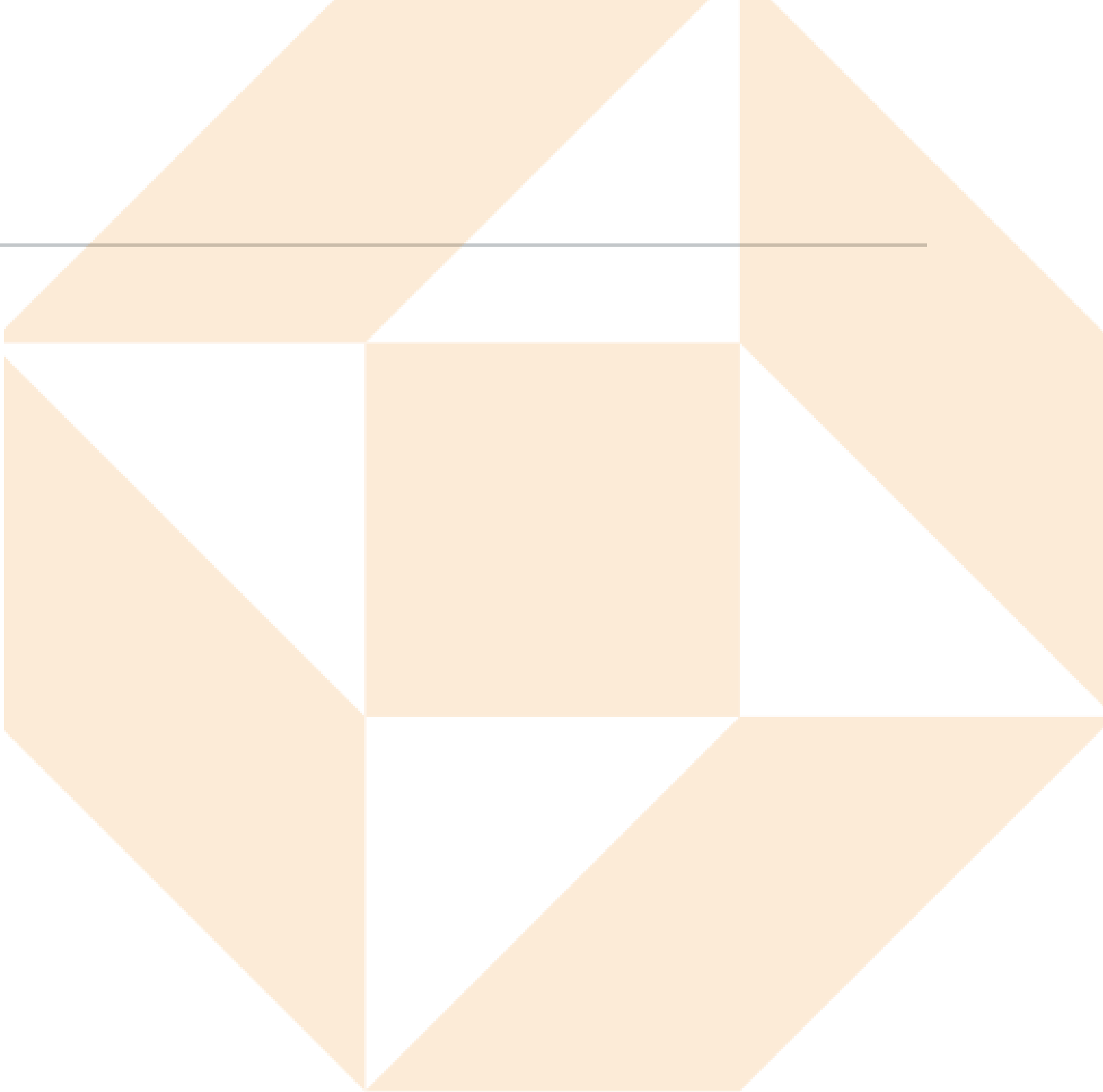
AUGUST 2026 UPDATE



Service Tax

No	Description	Details
i.	Guide on Employment Services re-issued: RMCD reverts to the 14 May 2024 edition (V3), displacing the 9 June 2026 edition (V4)	Royal Malaysian Customs Department (RMCD) has made an announcement to withdraw the latest version of Guide on Employment Services (V4). The 9 June 2026 edition (V4), which had expressly withdrawn and replaced with V3. Taken at face value, RMCD has reinstated V3 and displaced V4. That removes the June 2026 positions: • gross-value taxation of manpower supplies, with salary, wages, EPF, SOCSO and levy recharges forming part of the taxable value even when recharged at cost without mark-up; • the tightened seven-condition temporary secondment carve-out, available only where the lending employer’s business is not employment services; and V3’s treatment therefore applies again: emoluments, levy, inbound fares, work permits, insurance and mandatory medical costs recharged at cost without mark-up sit outside the taxable value, and the employee-secondment exclusion is the broader five-limb version open to any employer. RMCD has confirmed the position that service tax is chargeable only on the employment fee or management fee, other pass-through costs (disbursements) fall outside the charge and statutory fees, duties, levies, taxes and punitive payments enforced under written law and payable to the Federal or State Government are categorically disbursements, excluded from the value of the taxable service. Who is affected: Employment agencies, labour-hire and outsourcing providers, professional employer organisations and any registered person supplying manpower; corporate groups seconding staff; clients advised on the V4 gross-billing basis since June 2026.

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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