Finance and Tax Bills 2026 Highlights

2027 Budget

November 2026



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KPMG in Malaysia

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Business Tax





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Key Message

"Finance Bill 2026 introduces several significant income tax changes aimed at strengthening tax compliance while providing targeted relief for businesses. Key measures include tighter deductibility rules for employment expenses, lower corporate tax rates for a qualifying Micro, Small and Medium Company ("MSMC"), reinstatement of final withholding tax for certain non-resident REIT ("Real Estate Investment Trust") / PTF ("Property Trust Fund") investors, and clearer tax treatment for employee share schemes and Labuan entities. Businesses will also benefit from enhanced capital allowances for small-value assets. Overall, the proposals reflect a stronger emphasis on transparency, compliance and certainty, balanced with targeted measures to support smaller businesses and investment."

Income Tax

1 Restriction on deductibility for employment expenses

Currently, employment-related expenses incurred by an employer generally qualify for an outright tax deduction where the expenses satisfy the deductibility requirements under Section 33(1) of the Income Tax Act 1967 ("ITA"), i.e. they are wholly and exclusively incurred in the production of gross income from the relevant source, and are not specifically prohibited from deduction under Section 39 of the ITA.

Proposed

It is proposed that employment expenses falling within Section 13(1)(a) of the ITA and paid in monetary form will only be allowed a tax deduction where the payment is made through an account in the name of the employee that is opened by a licensed/prescribed financial institution or an approved issuer of a designated payment instrument for the purpose of payment of wages ("approved issuer"). This includes an approved issuer referred to in the relevant provision of the Employment Act 1955, Labour Ordinance of Sabah or Labour Ordinance of Sarawak.

Section 13(1)(a) broadly covers any wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance received in respect of having or exercising an employment.

However, the proposed restriction will not apply to micro enterprise or small and medium enterprise ("MSME") employers as determined by the National Small and Medium Enterprises Development Council under the Small and Medium Enterprises Corporation Malaysia Act 1995.

Effective Date

Effective from Year of Assessment ("YA") 2028

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Commentary

The proposal represents a significant shift by introducing, in addition to the existing deductibility requirements, a prescribed mode of payment for employment expenses in monetary form.

The proposal may be intended to enhance the traceability of employment-related payments and discourage unrecorded cash remuneration. Employers outside the MSME exclusion should review whether all monetary employment payments are made through the prescribed payment channels and supported by appropriate payroll records.

2 Corporate income tax rate

It is proposed that the corporate income tax rate be amended for companies / limited liability partnerships ("LLPs") resident and incorporated or established in Malaysia which have:

a) A paid-up capital in respect of ordinary shares / total contribution of capital of RM2.5 million and less at the beginning of the basis period for a YA [subject to the related parties / partners proviso];
b) A gross income from source or sources consisting of a business not exceeding RM50 million for the basis period for that YA; and
c) Not more than 20% of the paid-up capital in respect of ordinary shares / total contribution of capital at the beginning of the basis period for a YA is directly or indirectly owned / contributed by a company or companies incorporated outside Malaysia or an individual or individuals who are not Malaysian citizens.

[Collectively referred to as MSMC and Micro, Small and Medium LLP ("MSM LLP")]

Chargeable income	Income tax rate	
	Current	Proposed
The first RM150,000	15%	14%
RM150,001 to RM600,000	17%	16%
Exceeding RM600,000	24%	24%

The above proposal is effective from YA 2027.

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3 Reinstatement of withholding tax ("WHT") on income distribution from REIT or PTF to non-resident unit holders

Distribution of income by a listed REIT or PTF out of income that is exempted from tax for a YA under Section 61A of the ITA is taxable in the hands of the unit holders.

Prior to YA 2026, distributions received by non-resident unit holders were generally subject to WHT which is a final tax, at the following rates:

a) Non-resident companies: 24%

b) Foreign institutional investors (a pension fund, collective investment scheme or such other person approved by the Minister of Finance ["MOF"]): 10%

c) Other non-resident unit holders (e.g. individuals and other non-corporate investors): 10%

The preferential 10% WHT regime expired on 31 December 2025.

Current

With effect from YA 2026, distributions received from REIT or PTF by non-resident unit holders under category (b) and (c) above are no longer subject to the 10% final WHT regime.

Accordingly, these non-resident unit holders are required to report the REIT or PTF distributions in their respective income tax returns and account for income tax on such income at the prevailing tax rates. This also requires the unit holders to register for a tax identification number (TIN) and comply with the associated tax filing and payment obligations.

Proposed

It is proposed that the final WHT regime be reinstated for non-resident unit holders under category (b) and (c) above, at a revised WHT rate of 30%.

Effective Date

From YA 2027.

Commentary

Reinstatement of a final WHT would reduce the filing and administrative obligations of affected non-resident unit holders because the tax would again be collected at source. The proposed 30% rate represents a significant increase from the previous 10% concessionary rate. Non-resident investors should assess the resulting tax cost, including the availability and practical application of treaty relief and the interaction between treaty claims and the final-tax treatment.

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4 Deductibility on cost of issuing new shares under employee share scheme

Currently, a special tax deduction under Section 34D of the ITA is available to a company for costs incurred in providing treasury shares to its employees under an employee share scheme, subject to the prescribed conditions.

Where an employee share scheme is satisfied through the issuance of new shares, the Inland Revenue Board ("IRB") has generally taken the position that the related expenditure is not tax deductible, on the basis that the issuance of shares represents a movement within the company's equity or share capital accounts and does not give rise to an actual cash outlay or cost incurred by the company. This position also extends to arrangements where new shares of a holding company are issued to employees of a subsidiary company.

However, the tax treatment has been subject to consideration by the courts, with certain decisions supporting the taxpayers' position that the relevant expenditure may qualify for deduction under the general deductibility provisions of Section 33(1) of the ITA.

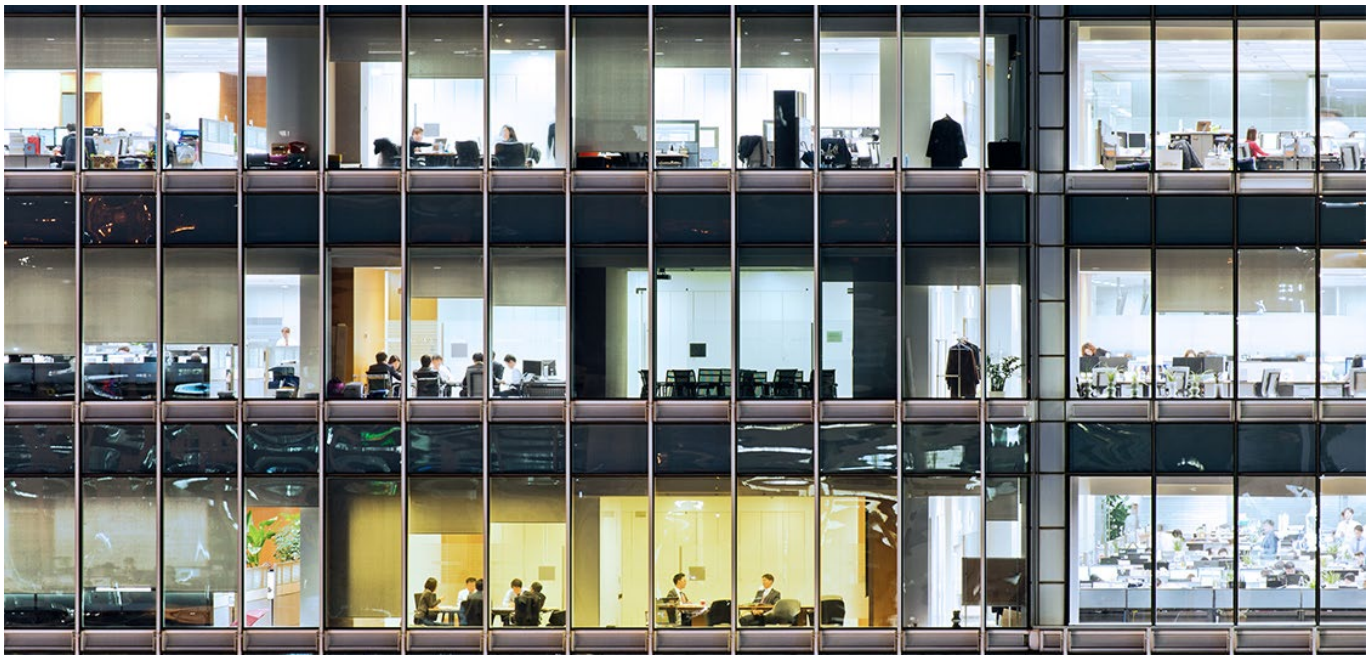
It is proposed that the ITA be amended to expressly prohibit a tax deduction for:

(a) Any outgoing and expenses, whether incurred directly or by way of reimbursement, by a company in respect of any right granted to its employees by reason of any office or employment held in Malaysia, to acquire new shares issued by the company; and

(b) Any payment made by a company to its holding company or subsidiary for new shares issued by that holding company or subsidiary to the company's employees by reason of any office or employment held in Malaysia, subject to rules to be prescribed by the MOF.

The above proposal is effective from YA 2027.

The proposal provides prospective legislative certainty but may narrow the deduction previously supported by certain judicial decisions. Companies operating equity-settled employee share schemes should review the manner in which the awards are settled, identity of the issuing entity, recharge arrangements, accounting treatment, vesting periods and the timing of payments.



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5 Capital allowance treatment for Labuan entities elected to be taxed under the ITA

A Labuan entity carrying on a Labuan business activity may make an irrevocable election to be taxed under the ITA instead of the Labuan Business Activity Tax Act 1990 ("LBATA").

Currently, there is no specific provision under the ITA prescribing the qualifying plant expenditure ("QPE") in respect of assets that were previously used in carrying on a Labuan business activity under the LBATA and is subsequently brought into use for a business subject to tax under the ITA following the election. This gives rise to uncertainty as to whether capital allowances may be claimed on such assets and, if so, the amount of QPE eligible for capital allowance purposes.

It is proposed that specific rules be introduced to determine the QPE of such assets as follows:

- The QPE will be deemed to have been incurred under the ITA;
- The amount of QPE will be the lower of the market value or net book value of the assets as at the date the Labuan entity elects to be taxed under the ITA; and
- No initial allowance will be granted on such assets.

The proposed treatment does not apply to buildings.

The above proposal is effective from YA 2027.

6 Special allowance for small value assets

Currently, a person may elect to make a special allowance claim of 100% on QPE in respect of small value assets where the value of each asset does not exceed RM2,000. The total qualifying expenditure eligible for the special allowance is capped at RM20,000 per YA, except for MSMCs.

It is proposed that the value limit for each small value asset qualifying for special allowance be increased from RM2,000 to RM3,000. Correspondingly, the annual claim limit for non-MSMCs is to be increased from RM20,000 to RM30,000.

The above proposal is effective from YA 2027.

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Key Message

"The amendments strengthen the IRB's enforcement powers while introducing a statutory relief mechanism for excessive assessments arising from errors or mistakes. Labuan entities should review their procedures for responding to information requests and site access, while ensuring that potential error-or-mistake applications are identified within the prescribed five-year period."

Labuan Tax

To improve tax administration and compliance under the LBATA, two key amendments are being introduced: stronger enforcement powers for the Director General of Inland Revenue Board ("DGIR"), and a specific mechanism for Labuan entities to seek relief from excessive assessment arising from errors or mistakes.

1 Offence for obstruction

To align the LBATA with the existing obstruction-of-officers provisions under the ITA, it is proposed that a similar offence be introduced under the LBATA for any person who:

a. obstructs or refuses to permit the DGIR or an authorised officer to enter any land, building or place;

b. obstructs the DGIR or an authorised officer in the exercise of his functions under the LBATA;

c. refuses to produce any book, document, object, article, material or thing when required to do so;

d. fails to provide reasonable facilities or assistance; or

e. refuses to answer any question lawfully asked by the DGIR or an authorised officer.

Upon conviction, the person is liable to a fine of not less than RM20,000 and not exceeding RM1 million or imprisonment for a term not exceeding two years, or both.

The above proposal comes into operation on 1 January 2027.

The proposed amendment strengthens the enforcement framework under the LBATA by reinforcing the taxpayers' obligations to cooperate with the DGIR and authorised officers in the administration and enforcement of the LBATA.

Labuan entities should establish protocols for handling site visits, interviews and information requests, including identifying authorised personnel and maintaining a clear record of documents and assistance provided.

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2 Relief for error or mistake

Effective from 1 January 2027, a Labuan entity that has paid tax may apply in writing to the DGIR for relief from an excessive assessment arising from an error or mistake in a Return or Statement made for the purposes of the LBATA and furnished to the DGIR before the assessment became final and conclusive.

The application must be made within five years after the end of the year of assessment in which the assessment was made.

Relief is generally not available where the error or mistake relates to the basis on which the Labuan entity's chargeability to tax was computed and the Return or Statement was prepared in accordance with the DGIR's prevailing practice at the time. If the Labuan entity is aggrieved by the DGIR's decision, it may, within six months of being informed of the DGIR's decision, request for the application to be forwarded to the Special Commissioners.

This proposed amendment gives Labuan entities a specific statutory mechanism to seek relief where tax has been over-assessed due to an error or mistake in the Return or Statement.

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Key Message

"By driving consistent tax treatment across different tax regimes, the changes introduced reflect the Government of Malaysia ("GOM")'s intention to improve tax efficiency while also continuing the effort to provide clarity to the Petroleum (Income Tax) Act 1967 ("PITA"). While certain proposals enhance tax benefits and streamline administration, the revised treatment of contributions in kind and qualifying exploration expenditure ("QEE") transfers may require chargeable persons to review their existing arrangements and assess the impact on their tax planning."

Petroleum Tax

1 Alignment of tax treatment for contributions and sponsorships

To ensure consistent tax treatment under the ITA and PITA, the following amendments have been proposed with effect from YA 2027:-

	Charity / community project	Arts, cultural & heritage sponsorship	Charity, sport & national interest contributions
Current provision	• Subsection 16(7B) of PITA – Provision of services, public amenities and contribution to a charity or community project. • Subsection 16(7BA) of PITA – Provision of infrastructure in relation to a business which is available for public use.	• Subsection 16(7E) of PITA – Sponsorship of any arts or cultural activity.	• Subsection 22(1) of PITA – Gift of money to an approved institution or organisation. • Subsection 22(1E) of PITA – Gift of money or contribution in kind to any approved sports activity or sports body. • Subsection 22(1F) of PITA – Gift of money or cost of contribution in kind to any approved project of national interest.

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	Charity / community project	Arts, cultural & heritage sponsorship	Charity, sport & national interest contributions
Current	• Deduction allowed equal to the amount of expenditure, subject to the approval of the MOF.	• Deduction allowed equal to the amount of expenditure, capped at RM200,000, subject to the approval of the Ministry of Tourism, Arts and Culture. • Scope limited to arts and cultural activities.	• Deduction allowed equal to the amount of gift or contribution, with a combined cap of 7% of statutory income.

Proposed	• Subsection 16(7B) expanded the scope to include **maintenance of a building** designated as a heritage site by the Commissioner of Heritage
	• Streamline the approval process:
	  • **Contributions below RM300,000:** project approval and verification by the relevant government authority ("RGA").
	  • **Contributions above RM300,000**: project approval by the MOF, verification by the RGA.
		• Increase the cap to **RM1,000,000,** of which foreign activities are capped at **RM300,000.**
		• Extend the scope to **heritage** activities.
		• Approval by the Minister responsible for arts, culture or heritage.
			• The deduction under Section 22(1E) will no longer extend to contributions in kind.
			• Increase the combined cap to 10% of statutory income.

Effective	YA 2027	YA 2027	YA 2027
ITA equivalent	Paragraphs 34(6)(h) and 34(6)(ha) of the ITA.	Paragraph 34(6)(k) of the ITA.	Subsections 44(6), 44(11B) and 44(11C) of the ITA.

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	Charity / community project	Arts, cultural & heritage sponsorship	Charity, sport & national interest contributions
Impact	Procedural change only. No change to the amount deductible.	Higher cap and wider scope.	Higher cap.

2 Transfer of QEE between chargeable persons

The Finance Bill 2026 proposed amendment to the deduction of QEE transferred between chargeable persons with the same original contracting parties. Instead of claiming the full amount upfront, the receiving chargeable person will deduct the transferred QEE over five YAs.

Current

Under Schedule 1, Paragraph 3A of the PITA, QEE incurred by a chargeable person ("First CP") before its first YA may be transferred to another chargeable person ("Second CP") under a different petroleum agreement. This is provided the original parties are the same and the QEE is from an area where petroleum is not being produced.

The QEE is deducted against the gross income of each petroleum operation of the Second CP, apportioned using the following formula:

A / B × C

where: A = gross income of the Second CP from a petroleum operation; B = total gross income of the Second CP from all petroleum operations; C = the QEE

Where the QEE exceeds the gross income of a petroleum operation, the excess may be carried forward and deducted against the gross income of that same petroleum operation in subsequent YAs. The excess cannot be used by any other chargeable person.

Proposed

The Second CP will deduct the transferred QEE in equal amounts over five YAs. Any amount not absorbed in a YA due to insufficient gross income may be carried forward to subsequent YAs.

Effective Date

Effective YA 2027.

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3 Claim of capital allowances under the Second Schedule

Currently, Paragraph 54(2) of the Second Schedule of the PITA provides that where any claim for capital allowances under the Second Schedule is made by a chargeable person in the prescribed return form for a YA, the claim shall be delivered with the copy of the accounts made and delivered for that YA.

It is proposed that the above paragraph be amended such that the claim shall be furnished together with the relevant return, instead of being delivered together with a copy of the account.

The amendment appears to align the capital allowance claim with electronic return-filing requirements and removes the express requirement for the claim to be delivered with the accounts. Chargeable persons should nevertheless retain the relevant accounts, schedules and supporting documents for audit purposes.

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Key Message

"Overseas E-commerce platform providers should assess whether transactions involving Malaysian sellers or customers fall within the expanded self-billed e-Invoice obligation. Further IRB guidance will be important on scope, registration, system integration and enforcement where the platform has no physical presence in Malaysia."

e-Invoicing

1 Extension of e-Invoice requirements to overseas E-commerce platform providers

Currently, a person who provides an electronic commerce platform in respect of any goods sold or services performed by any other person is required, for the relevant YA, to issue a self-billed e-Invoice in accordance with the conditions imposed by the DGIR.

It is proposed that this requirement be expressly extended to include E-commerce platform providers located "**whether in Malaysia or outside Malaysia**". Accordingly, overseas E-commerce platform providers will be brought within the scope of the self-billed e-Invoice requirement.

The above proposal comes into operation on **1 January 2027**.

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Key Message

"The IRB continues to advance towards a more digital and taxpayer-focused tax administration framework, with greater emphasis on clarity and voluntary compliance. Key proposals include empowering the DGIR to remit the 10% increase arising from amended returns, encouraging taxpayers to voluntarily regularise their tax positions.

Digitalisation remains a key direction, with electronic submission of estimated tax payable for individuals with non-employment income and electronic service of notices under the ITA, PITA, LBATA, Real Property Gains Tax Act 1976 ("RPGTA") and Stamp Act 1949 ("SA"). Together with stronger enforcement and information-gathering powers, these developments reinforce the importance of robust tax governance, regular monitoring of MyTax and proactive compliance."

Administrative matters

1 Definition of "classified person" under the ITA, PITA and RPGTA

Currently, "a classified person", which includes an official and any employee of the IRB, is required to keep tax return and other information obtained for the purposes of the relevant Acts confidential.

It is proposed that an official or any employee of the IRB will continue to be regarded as a "classified person" even after retirement or cessation of employment.

The above proposal comes into operation on 1 January 2027.

The proposal reinforces the protection of taxpayers' confidential information by making it clear that the duty of confidentiality continues to apply even after an official or IRB employee has left service. The amendment confirms that the statutory duty of confidentiality survives an officer's retirement or cessation of employment.

2 Penalty for failure to comply with mutual administrative assistance

Currently, under Section 119B of the ITA, where a person is prosecuted and convicted for failing to comply with any rules relating to the automatic Exchange of Information (EOI) or the furnishing of a Country-by-Country Reporting ("CbCR"), the person is liable to a fine of not less than RM20,000 and not more than RM100,000 or imprisonment for a term not exceeding six months or both. This excludes a failure to furnish a CbCR, which is separately dealt with under Section 112A of the ITA and currently carries the same penalty.

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It is proposed that the DGIR is empowered to impose a penalty ranging from RM20,000 to RM100,000 where no prosecution is instituted for such non-compliance.

The above proposal comes into operation on 1 January 2027.

3 Application of unilateral tax credit

Where a foreign income is subject to tax in both Malaysia and a foreign jurisdiction, relief from double taxation may generally be available in the form of:

a) Bilateral tax credit under a Double Taxation Agreement ("DTA"); or
b) Unilateral tax credit, where no DTA is in force with the foreign jurisdiction. In practice, unilateral tax credit may also apply where a limited DTA is in force but does not contain an Article on Elimination of Double Taxation or a similar provision.

Currently, for the purposes of double taxation relief under the ITA:

- Section 133 provides for unilateral relief in respect of foreign tax imposed in a territory where there is no order under Section 132 in force for that territory; and
- Schedule 7 defines "unilateral credit" as a credit in respect of foreign tax payable under the laws of a territory outside Malaysia with which no arrangements under Section 132 of the ITA are in force.

For greater clarity on the application of unilateral relief, it is proposed that the above provisions be refined to expressly provide that unilateral tax credit is also available in respect of foreign tax payable in a jurisdiction with which Malaysia has a limited DTA that does not provide for relief from double taxation (for example, a limited DTA with the United States of America).

The above proposal is effective from YA 2027.

The above proposed changes provide greater clarity on the taxation of foreign sourced income which is in line with current practice. The amendment clarifies the availability of unilateral credit for foreign tax suffered in a jurisdiction with which Malaysia has a limited DTA that does not contain an operative double-tax relief mechanism.

4 Power to waive or remit increase on tax or additional tax payable under deemed assessment for amended return under the ITA, PITA and RPGTA

A taxpayer may furnish an amended return within 6 months from the due date for furnishing the original return where, among others, income has been omitted or underreported. Any tax or additional tax payable arising from the amended return is subject to a 10% increase.

Currently, there is no specific provision empowering the DGIR to waive or remit the 10% increase imposed on tax or additional tax arising from an amended return.



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It is proposed that the DGIR be empowered to remit the whole or any part of such 10% increase under the relevant Acts, with a view to enhancing voluntary tax compliance and reporting.

The above proposal comes into operation on 1 January 2027.

5 Electronic submission for revision of tax instalments under the ITA or submission of initial or revised Estimates of Tax Payable ("ETP") under the PITA

Currently, there is no specific provision requiring the following to be submitted electronically:

a) Revisions of tax instalments under the ITA by taxpayers other than companies, LLPs, co-operative societies, and trust bodies, that derive income from sources other than employment; and
b) Initial and revised ETPs under PITA.

In line with the IRB's digitalisation initiative, it is proposed that the above revisions and ETPs be furnished by an electronic medium or by way of electronic transmission. The submission can be made via MyTax, the IRB's online portal.

The above proposal is effective from YA 2028.

6 Service of notice under the ITA, PITA, LBATA and RPGTA and service of document under the LBATA

Currently, notices under the relevant Acts may generally be served personally or by ordinary or registered post. In addition, any document required to be served on a Labuan entity under the LBATA is deemed to be properly served by leaving it at, or sending it by ordinary post to, the registered office of the Labuan entity.

It is proposed that the existing provisions be expanded to enable notices under the relevant Acts as well as documents under the LBATA to be served through an electronic medium or by way of electronic transmission. A notice or document will be deemed to have been served on the person, including a partnership, when a report confirming the delivery of the notice is generated by the designated information processing system as determined by the DGIR.

The move towards electronic service of notices should facilitate more efficient and timely communication between the IRB and taxpayers. However, as the notices may be served electronically via MyTax, taxpayers will need to regularly monitor their MyTax accounts to ensure important notices and correspondence are acted upon promptly.

The above proposal comes into operation on 1 January 2027.

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7 Means of requesting information by the DGIR under the RPGTA and LBATA

Currently, under the RPGTA and LBATA, the DGIR may require a person to furnish, in writing, information relating to any matter under the respective Acts.

It is proposed that the DGIR's powers be expanded to enable the DGIR to require such information to be furnished orally, thereby broadening the manner in which information may be obtained from taxpayers.

The above proposal is effective from YA 2027.

Transfer Pricing

1 Clarity on the definition of "control" for transfer pricing purposes

At present, the specific definition of control for transfer pricing purposes is outlined in Section 140A of the ITA. Subsection 140A(5) specifically defines a controlled transaction as a transaction between (a) persons one of whom has control over the other; (b) individuals who are relatives of each other; or (c) persons both of whom are controlled by some other person ("third person"). Effective 1 January 2019, subsection 140A(5A) expanded the meaning of "control" for transfer pricing purposes, where "control" exists when a person or third person holds at least 20% of the share capital and either (a) provides proprietary rights for the business operations; (b) influences the business activities; or (c) has the ability to appoint one or more directors.

Against this backdrop, it is proposed that the definition of "control" for transactions between associated persons be further clarified to include direct and indirect ownership of shares.

A similar amendment has also been proposed under Section 17D of LBATA, which also clarifies that "control" refers to direct and indirect shareholding ownership.

The above proposal comes into operation on 1 January 2027.

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Real Property Gains Tax





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Key Message

"Whilst the proposed RPGT amendments may not represent fundamental changes to the existing regime, these changes nevertheless signal the GOM's continued commitment towards maintaining an efficient and effective tax administration framework. Collectively, the amendments are consistent with the broader direction of modernising tax administration, strengthening compliance and enforcement, and ensuring that the Malaysian tax framework continues to evolve in response to changing administrative requirements."

Real Property Gains Tax

1 Administrative amendments to the RPGTA which include enhanced relief and enforcement mechanisms

In addition to the relevant RPGTA administrative amendments highlighted under **Business Tax – Administration Matters**, the following amendments to the RPGTA have also been proposed as part of the GOM's continued efforts to enhance tax administration:

i. Deletion of 'chargeable person' definition

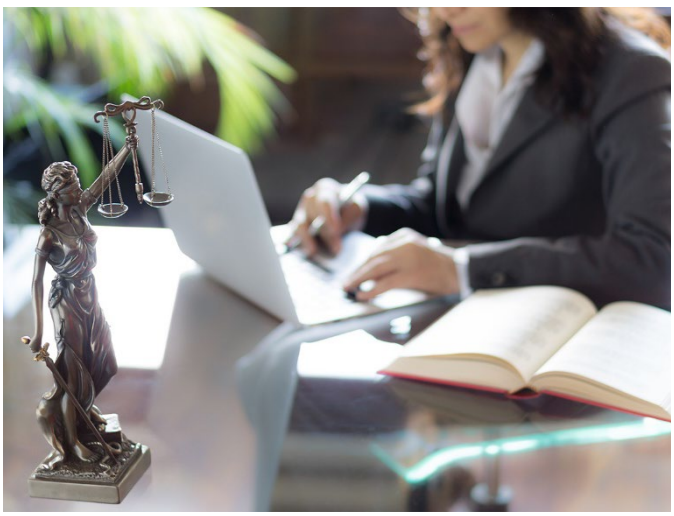
Currently, Section 2(1) of the RPGTA defines 'chargeable person' as a person chargeable with the tax.

It is proposed for this definition to be deleted. While no explanation has been provided for the deletion, the proposed deletion may be due to 'chargeable persons' already being defined separately under Section 6 of the RPGTA.

ii. New subsection that deems the submitted RPGT return as the notification of excess RPGT payments

Currently, Section 24 of the RPGTA provides for the refund of RPGT overpayment by the taxpayer.

It is proposed for a new subsection (1A) to be inserted in Section 24 of the RPGTA that deems the submitted RPGT return to be a notification relating to the RPGT overpayment and the taxpayer is deemed to be notified of the overpayment on the day the RPGT return is submitted.



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iii. Amendment to refine the DGIR's rights to access buildings and documents through IRB officials and employees

Currently, Section 46(1) of the RPGTA provides that any person (e.g. IRB officials or employees) exercising the right of access or the right to take possession conferred by Section 28 (Power of access to buildings and documents, etc) shall carry a warrant in the prescribed form issued by the DGIR.

It is proposed for Section 46(1) of the RPGTA to be amended to extend the warrant requirement to any person exercising any rights conferred under Section 28, rather than only the right of access or the right to take possession.

The above proposals under Items (i) and (iii) come into operation from 1 January 2027 whilst the proposal under Item (ii) is effective from YA 2027.

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Stamp duty





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Key Message

"The proposed amendments seek to modernise and simplify the stamp duty framework while strengthening the administrative provisions to support the transition towards a more digitalised and self-assessment-based system. Key proposals include the restructuring and consolidation of the stamp duty schedules, an expansion of the definition of foreign companies to include Malaysian companies with foreign ownership, simplification of stamp duty rates and computation, greater clarity on compliance and administrative procedures, and further digitalisation of stamp duty administration. Certain reliefs are also introduced, including a full stamp duty exemption for education loans."

Stamp Duty

1 Restructuring of Stamp Duty Schedules

Currently, the SA contains two distinct schedules setting out:

- **First Schedule:** the instruments chargeable with stamp duty and the applicable rates of duty; and
- **Third Schedule:** the persons liable to pay the stamp duty.
  Section 33 of the SA provides that, for instruments specified in the Third Schedule, the expense of providing the proper stamp duty is to be borne by the person specified in that Schedule. For any other instrument, the expense is to be borne by the person drawing, making or executing the instrument.

It is proposed that the existing First and Third Schedules be restructured and consolidated into a single First Schedule, which will set out the applicable rate of duty and the person liable to pay the duty alongside each chargeable instrument.

The restructured First Schedule will be further simplified by categorising chargeable instruments into five parts as follows:

- **Part I:** Conveyance, assignment, transfer, absolute bill of sale, contract note, release or renunciation
- **Part II:** Charge or mortgage, agreement for a charge or mortgage (including such under shariah), bond, covenant, debenture (not being a marketable security), bill of sale, assignment, annuity, release or renunciation and any instrument by way of security
- **Part III:** Bond, covenant, loan, services, lease of moveable property, license agreement or instrument of any kind
- **Part IV:** Lease or agreement for lease of any immovable property
- **Part V:** Miscellaneous

Certain minor deviations in wording are noted between the existing provisions and the restructured First Schedule.

The proposed restructuring appears to be administrative in nature and is intended to consolidate and simplify the stamp duty provisions by presenting them in a clearer, more systematic and user-friendly

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format. By setting out the applicable rate of duty and the person liable to pay the duty alongside each chargeable instrument within the restructured First Schedule, the proposal should facilitate easier reference and provide greater clarity to taxpayers in determining their stamp duty obligations.

Consequential amendments will also be made to the various provisions of the SA to update the relevant cross-references and align them with the restructured First Schedule.

The above proposal comes into operation on 1 July 2027.

2 New definitions in the SA

It is proposed that the following definitions be introduced into the SA to provide greater clarity and certainty in the interpretation and application of the stamp duty provisions:

Term	Proposed definition	Implications
Foreign company	(a) A foreign company as defined in the Companies Act 2016; or (b) A company incorporated under the Companies Act 2016 where— (i) 50% or more of its issued share capital is owned directly or indirectly by a non-citizen, or by a foreign company referred to in paragraph (a), or by both; (ii) 50% or more of the voting shares in the company are exercisable, directly or indirectly, by a non-citizen or foreign company referred to in paragraph (a), or by both; or (iii) the affairs or management of the company, or the composition of its board of directors, is controlled, directly or indirectly, by a non-citizen or foreign company referred to in paragraph (a), or by both.	Currently, the following conveyances to a foreign company, or to a person who is neither a Malaysian citizen nor a permanent resident, are subject to higher rates of ad valorem duty: a) **Residential property:** Stamp duty at RM8 for every RM100, or part thereof, of the money value of the consideration or the market value of the property, whichever is higher b) **Property (other than residential property, stock, shares, marketable securities and accounts receivables or book debts of the kind mentioned in Subitem 32(c)):** Stamp duty at RM4 for every RM100, or part thereof, of the money value of the consideration or the market value of the property, whichever is higher The proposed new definitions provide greater clarity in determining whether a company or individual falls within the above categories for the purposes of higher stamp duty rates. In particular, the definition of a "foreign company" extends beyond a company incorporated outside Malaysia to include a Malaysian-incorporated company, including a joint venture ("JV") company, that satisfies the prescribed foreign ownership or control threshold. Accordingly, a Malaysian-incorporated company or a JV may also be subject to higher stamp duty rates when acquiring the relevant property.
Permanent resident	A person treated as such under any written law relating to immigration	

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Term	Proposed definition	Implications
		Further, the reference to ownership or control "directly or indirectly" appears to require the ownership or control to be traced through the corporate holding chain, including where a listed company forms part of that chain. This may give rise to practical challenges in determining the ultimate ownership or control of a Malaysian-incorporated company, particularly where there are multiple tiers of ownership or widely held listed entities. It is also noteworthy that, based on the proposed definitions, a permanent resident would remain a "non-citizen" for purposes of determining whether a Malaysian-incorporated company is a "foreign company". As a result, a Malaysian-incorporated company that is 50% or more owned or controlled by a permanent resident could potentially fall within the definition of a "foreign company" and be subject to the higher stamp duty rates, even though the permanent resident, if acquiring the same property in his or her own name, would not be subject to those higher rates.
Assessment	Any assessment and additional assessment made under the SA	This is a corresponding clarification to align the meaning of "assessment" with the transition to the stamp duty self-assessment system.

The above proposal comes into operation on 1 January 2027.

3 Simplification of stamp duty rates

Currently, stamp duty on certain instruments is expressed as a fixed amount for every RM1,000 or part thereof (or every RM100 or part thereof) of the relevant amount. For example, a conventional loan agreement with a fixed repayment tenure is subject to ad valorem stamp duty at RM5 for every RM1,000, or part thereof, of the loan or financing amount.

It is proposed that the computation of stamp duty be simplified by expressing the applicable duty as a percentage of the relevant amount. Accordingly, the above rate of RM5 for every RM1,000, or part thereof, will be expressed as 0.5% of the loan or financing amount.

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The proposed amendment appears to simplify the presentation and computation of stamp duty. While the headline rate is mathematically equivalent, the removal of the "or part thereof" formulation should result in a more precise computation of duty where the relevant amount is not an exact multiple of RM1,000 (or RM100).

The above proposal comes into operation on 1 July 2027.

4 Submission through electronic medium

It is proposed that the administration of stamp duty be further digitalised by requiring the following applications, submissions and related matters to be made through the electronic medium:

a) Submission of an amended return
b) Applications for extension of time for the payment of duty and penalty remission
c) Claims for refunds
d) Applications relating to a replicate of an instrument and endorsement
e) Discharge of an assessment

Currently, stamp duty matters are generally administered electronically through the IRB's online portal, i.e. the e-Duti Setem system.

The above proposal comes into operation on 1 January 2027.

5 Standardisation of statutory periods for refunds and penalties provisions

Currently, the statutory periods for refunds and penalties provisions in the SA are prescribed by reference to months (e.g. two months or three months). As the number of days in a calendar month varies, the actual statutory period may differ depending on the months concerned.

It is proposed that the relevant statutory periods be standardised and expressed in days, as follows:

Current statutory periods	Proposed statutory periods
Proviso (aa) to Section 57 – Allowance for spoiled stamps	
An application for relief in respect of spoiled stamps may be made within 2 months from the date the instrument of transfer is rejected by the Registrar of Titles.	2 months proposed to be amended to 60 days
Section 47A(1) – Penalty for late stamping	
An instrument that is not stamped within the prescribed period may be subject to the following late stamping penalties: a) The higher of RM50 or 10% of the amount of the deficient duty, if the instrument is stamped within 3 months after the time of stamping; or b) The higher of RM100 or 20% of the amount of the deficient duty, in any other case.	3 months proposed to be amended to 90 days

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The proposal is intended to provide greater certainty and consistency in the computation of statutory periods relating to refund application and penalties for late stamping.

The above proposal comes into operation on 1 January 2027.

6 Amendment of return

Currently, the SA does not contain an express provision allowing a person to amend a return after it has been furnished under the SA.

A new Section 35C is proposed to allow a return to be amended once, subject to the approval of the Collector, as follows:

Nature of amendment	Time limit	Key condition
Description or particulars of the instrument that does not affect the duty liability	At any time after the original return is furnished	Amendment does not affect or extend the statutory stamping period
Facts or circumstances that affect the duty liability	Within 30 days from the date the original return is furnished	Amendment can only be made before the assessed duty has been paid

The amended return must set out the relevant amended particulars, the proper amount of duty and the duty previously stated, together with the supporting evidence and any further particulars as may be required by the Collector.

An amendment is subject to the Collector's approval, allowed only once, and duty-affecting errors can only be corrected within 30 days and before payment. Accordingly, there does not appear to be a general voluntary-correction mechanism for duty-affecting errors discovered after the 30-day period or after payment of the assessed duty. In such circumstances, the duty payer may need to claim a relief for any overpayment of duty under the error and mistake provision of the SA, while any underpayment of duty may give rise to penalties.

The above proposal comes into operation on 1 January 2027.

7 Errors and defects in assessments or notices and other documents

Currently, the SA does not have any express provision to address situations where an assessment, notice or other document issued under the SA by the Collector contains errors, defects or omission.

A new Section 50C is proposed to provide that such assessment, notice or document will not be invalid merely due to an error, defect or omission, provided that it is in substance and effect conforms with the intent and meaning of the SA and the relevant person liable to duty and instrument can be sufficiently identified.

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The proposed provision also allows the Collector, where the amount of duty has been incorrectly calculated, to direct that the amount of duty stated in the assessment and notice of assessment be treated as the amount that ought to have been assessed had the duty been correctly calculated.

The above proposal comes into operation on 1 January 2027.

8 Discharge of assessment

With the move towards a self-assessment system, an assessment is deemed to have been made based on the information furnished in the return submitted by the taxpayer. The SA currently does not contain an express provision empowering the Collector to discharge an assessment where two or more assessments have been made in respect of the same instrument.

It is proposed to introduce a new Section 35D to empower the Collector to, where two or more assessments have been made in respect of the same instrument chargeable with duty under the SA, discharge such assessment(s) as necessary to ensure that only the proper amount of stamp duty is charged on the instrument.

The above proposal comes into operation on 1 January 2027.



9 Service of notices

Currently, the SA contains various provisions in relation to notices to be given but does not generally prescribe the mode or manner in which such notices may be served, or when such notices are deemed to have been served, save for specific provision such as Section 74A(3).

It is proposed to introduce a new Section 36E to provide that a notice under the SA may be served personally, by ordinary post, by registered post, or by an electronic medium or electronic transmission.

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Where a notice relating to duty is sent by ordinary or registered post, the notice shall be deemed to have been served on the person liable to pay duty to whom it is addressed on the day succeeding the day on which the notice would have been received in the ordinary course of post if it is addressed:

a) in the case of a company, partnership or body of persons:
   i. to its registered office whether situated in or outside Malaysia;
   ii. to the principal place of business or other activity of the company, partnership or body whether situated in or outside Malaysia;
   iii. to its last known address; or
   iv. to any person authorised to accept service of process by or under any law where the company, partnership or body is incorporated, registered or established; and

b) in the case of an individual:
   i. to his last known address; or
   ii. to any person authorised to accept service of process on behalf of such individual.

Companies must ensure that their registered and other official addresses are kept up to date and that correspondence received at those addresses is promptly monitored.

Where a notice is sent by an electronic medium or electronic transmission, it will be deemed to have been served on the person, including a partnership, when a report confirming the delivery of the notice is generated by the designated information processing system as determined by the Collector.

As a notice is deemed served once the system generates a delivery report, it would mean that the relevant deadlines may then run from that point, hence duty payers would need to monitor the e-Duti Setem portal and its mailbox regularly.

The above proposal comes into operation on 1 January 2027.

10 Amendment of Section 4A

Currently, pursuant to Section 4A(2) of the SA, an instrument executed outside Malaysia which effects a transfer of debentures issued by, or shares in a company incorporated in Malaysia or shares in a foreign company registered in Malaysia must bear a stamp, which is duly cancelled to evidence payment of the proper stamp duty, before the transfer may be registered and take effect.

It is proposed that Section 4A(2) be amended by replacing the words “bears a stamp, duly cancelled” with “is duly stamped”. The proposed amendment is intended to align the provision with the current stamping practice, under which adhesive stamps are no longer used, and evidence of stamping is provided by way of a stamp certificate.

The above proposal comes into operation on 1 January 2027.

11 Stamping and endorsement requirement

Currently, the SA does not expressly specify whether a return is required to be submitted in respect of instruments that qualify for a specific “Exemption” or “General Exemption” under the First Schedule of the SA. However, in a media statement issued on 7 August 2026, the IRB clarified that:

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a) All instruments listed under the specific "Exemption" in the First Schedule are not required to be stamped or endorsed; and

b) All instruments listed under the "General Exemption" in the First Schedule are required to be endorsed, to ensure that only eligible parties and qualifying instruments may claim the stamp duty exemption.

It is proposed that the above treatment be expressly incorporated into the SA, as follows:

Category	Proposed treatment	Effective date
Specific "Exemptions" under Parts I to V of the restructured First Schedule	No return is required to be filed	1 July 2027
"General Exemptions" under the restructured First Schedule	a) Exemption required to be certified by endorsement b) A return is required to be filed electronically for the endorsement	1 January 2027 1 July 2027

12 Simplification of stamp duty on certain instruments to a fixed RM10 duty

Currently, the following instruments are subject to stamp duty based on the prescribed basis of computation under the First Schedule to the SA:

Description of instrument	Current stamp duty rate
Item 22(2) of the First Schedule Collateral, auxiliary, additional or substituted security for any purposes mentioned under Item 22(1) where the principal or primary instrument is duly stamped:	
(a) where the total amount to be ultimately payable can be ascertained	One-fifth of the duty payable on the principal security, subject to a maximum duty of RM10
(b) in any other case	25 sen for every RM100 and also for any fractional part of RM100 of the annuity or sum periodically payable
Item 27(b) of the First Schedule Collateral, auxiliary, additional or substituted security (other than an equitable mortgage) or by way of further assurance for any purposes mentioned under Item 27(a) where the principal or primary security is duly stamped	One-fifth of the duty payable on the principal security, subject to a maximum duty of RM10

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Description of instrument	Current stamp duty rate
Item 65 of the First Schedule Reconveyance of charged or mortgaged property, re-assignment, release, discharge, surrender or renunciation of any security or of the benefit thereof or of the money thereby secured	Same duty as charge itself but subject to a maximum of RM10
Item 75 of the First Schedule	
Surrender of lease	
(a) When the duty with which the lease is chargeable does not exceed RM10	The duty with which such lease is chargeable
(b) In any other cases	RM10

It is proposed that the existing bases of computation for the above instruments be replaced with a fixed stamp duty of RM10 under the restructured First Schedule.

The above proposal comes into operation on 1 July 2027.

13 Stamp duty exemption on education loan

Currently, loan instruments executed for the purpose of financing higher education in a higher educational institution or pursuing any course of study in any institution are subject to stamp duty as follows:

a) Unsecured education loans are subject to stamp duty of RM10; whereas
b) Secured education loans are subject to ad valorem stamp duty.

It is proposed that a 100% stamp duty exemption be granted on the above loan instruments, whether secured or unsecured.

The above proposal comes into operation on 1 July 2027.

14 Stamp duty exemption on bond on obtaining letters of administration

Currently, a bond on obtaining letters of administration is subject to stamp duty of RM10 where the value of the estate exceeds RM50,000. A bond is exempt from stamp duty where the value of the estate to be administered does not exceed RM50,000.

It is proposed that a bond on obtaining letters of administration be fully exempt from stamp duty regardless of the value of the estate.

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Personal Tax





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Key Message

"Finance Bill 2026 delivers meaningful tax savings for the Rakyat, with middle-income households expected to benefit most from enhanced personal tax reliefs and lower individual income tax rates.

The expanded reliefs better reflect evolving family needs and household commitments, while the higher tax rate for chargeable income exceeding RM1 million strengthens progressivity and supports a balanced tax burden."

Income Tax

1 Changes to income tax rates for resident individual

It is proposed that the personal income tax rates for resident individuals at the chargeable income bands between RM70,001 to RM100,000, RM100,001 to RM150,000 and RM1,000,001 to RM2,000,000 be amended as follows:-

Chargeable Income (RM)	Current Tax Rate (%)	Proposed Tax Rate (%)
0 – 5,000	0	0
5,001 – 20,000	1	1
20,001 – 35,000	3	3
35,001 – 50,000	6	6
50,001 – 70,000	11	11
70,001 – 100,000	19	18 (↓ 1%)
100,001 – 150,000	25	24 (↓ 1%)
150,001 – 400,000	25	25
400,001 – 600,000	26	26
600,001 – 1,000,000	28	28
1,000,001 – 2,000,000	28	30 (↑ 2%)
Above 2,000,000	30	30

The above proposal is effective from YA 2027.

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2 Revision / expansion of scope or increase in limit of the existing tax reliefs

It is proposed that the following existing tax reliefs be revised or expanded, with certain relief limits also increased:

Type of Tax Relief	Tax Relief Amount (Current) RM	Tax Relief Amount (Proposed) RM	Proposed Changes and Effective Period
Individual and dependent relatives	9,000	12,000	The relief has been increased by RM3,000 (Effective from YA 2027)
Health expenses incurred for taxpayer, spouse or child		10,000	It is expanded to include:- • Breastfeeding equipment for children aged two years and below and claimable every year, either by the taxpayer or spouse (limited to RM1,000) • Post-natal care services provided by a care centre or any individual registered, recognized or licensed under any law, claimable either by the taxpayer or spouse (limited to RM3,000) (Effective from YA 2027)
Medical treatment, dental treatment, complete medical examination, special needs or carer expenses incurred on parents or grandparents		8,000	It is expanded to cover all types of care expenses and no certification by medical practitioner is required (Effective from YA 2027)

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Type of Tax Relief	Tax Relief Amount (Current) RM	Tax Relief Amount (Proposed) RM	Proposed Changes and Effective Period
Education fees incurred on taxpayer for any course of study for:- (a) Up to tertiary level, other than a Masters or Doctorate degree undertaken for the purpose of acquiring legal, accounting, Islamic financing, technical, vocational, industrial, scientific or technological qualification or skill, in any institution or professional body in Malaysia recognized by the Government or approved by the Minister; (b) Masters or Doctorate degree undertaken for the purpose of acquiring any qualification or skill, in any institution or professional body in Malaysia recognized by the Government or approved by the Minister; or (c) Upskilling or self-enhancement and that course is conducted by a body recognized by the Director General of Skills Development under the National Skills Development Act 2006 [Act 652] for up to YA 2026	7,000 [Restricted to RM2,000 for item (c)]		Section 46(1)(f) is revised to cover:- (i) Fees incurred on taxpayer for any recognized courses from Certificate to PhD level in any field (ii) Fees incurred on taxpayer or spouse in the field of technical or vocational recognized under the National Skills Development Act 2006 [Act 652] for upskilling or self-enhancement purposes (limited to RM3,000) (iii) Fees incurred on taxpayer and spouse for any course, training, skill or self-enhancement class not related to employment OR (iv) Fees incurred on child for any course, training, class or tuition in the field of science, technology, engineering, mathematics, arts, languages or religion, claimable either by the taxpayer or spouse [Reclassified from Section 46(1)(p)(v) – lifestyle expenses. The aggregate of items (iii) and (iv) is limited to RM2,000.] (Effective from YA 2027)

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Type of Tax Relief	Tax Relief Amount (Current) RM	Tax Relief Amount (Proposed) RM	Proposed Changes and Effective Period
Expenses for taxpayers, spouse and children on lifestyle:- (a) Purchase / subscription of books, journals, magazines, printed and electronic daily newspaper and other similar publications; (b) Purchase of personal computer, smartphone or tablet; (c) Internet subscription; and (d) Any course for upskilling or self-enhancement other than those subject to Section 46(1)(f)(iii)		2,500	It is expanded to include:- • Subscription fees for Artificial Intelligence (AI) software and application • Payment for pet adoption from a licensed animal pound or animal shelter or local government authority, vaccination or neutering of pets by a veterinarian registered with the Malaysian Veterinary Council • Reclassified to Section 46(1)(f) (Effective from YA 2027)
Expenses for taxpayer, spouse, children or parents (tax resident in Malaysia):- (a) Purchase of sports equipment for sports activity defined under the Sports Development Act 1997 (b) Rental or entrance fee to any sports facility (c) Registration fee to participate in the sports competition where the organizer is approved and licensed under the Sports Development Act 1997 (d) Fees for gym membership or sports training for carrying out any sports		1,000	It is expanded to include purchase of sports shoes (limited to RM300) (Effective from YA 2027)

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Type of Tax Relief	Tax Relief Amount (Current) RM	Tax Relief Amount (Proposed) RM	Proposed Changes and Effective Period
activities as defined under the Sports Development Act 1997			
Contribution to Social Security Organisation (SOCSO) Scheme or Employment Insurance System (EIS)		350	It is expanded to include:- (a) Mandatory employee contributions in relation to the industries in: (i) the service of carriage of passengers; (ii) the service of carriage and delivery of goods or food; (iii) the hawking or trading at street or market, to the Self-Employment Social Security Scheme (LINDUNG KENDIRI) (b) Additional tax relief of up to RM150 on voluntary employee contributions to the Non-Employment Injury Scheme (LINDUNG 24) or to the Self-Employment Social Security Scheme in relation to the industries other than those specified under item (a) above (Effective from YA 2027)

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3 Extension of period for tax relief

It is proposed that the eligible period of claiming the following tax relief be extended:

Type of Tax Relief	Tax Relief Amount (Current) RM	Period for Tax Relief (Current)	Period for Tax Relief (Proposed)
Domestic tourism expenses relief on payment of entrance fee to:- (a) A tourist attraction; or (b) Cultural and arts programme	1,000	Up to YA 2026	Extended to YA 2027

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Indirect Tax



Customs Act 1967 and Excise Act 1976

1 Declaration of goods by person arriving in Malaysia or intending to leave Malaysia

It is proposed that Section 103 of Customs Act 1967 and Section 42A of Excise Act 1976 be amended to require every person arriving in Malaysia or intending to leave Malaysia to declare any goods in his possession in the manner as determined by the MOF. This amendment seeks to strengthen Customs control on goods brought in or out through any entry and exit points in Malaysia.

Proposed

Section 103 of Customs Act 1967

(1) Every person arriving in Malaysia or intending to leave Malaysia shall declare to a proper officer of customs any goods in his possession, either on his person or in any baggage or in any vehicle, in the manner as determined by the Minister.

Section 42A of Excise Act 1976

(1) Every person arriving in Malaysia or intending to leave Malaysia shall declare to a proper officer any goods in his possession, either on his person or in any baggage or in any vehicle, in the manner as determined by the Minister.

Effective Date

1 January 2027

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2 Use of electronic service

It is proposed that a new Section 145E and Section 44AC be inserted into Customs Act 1967 and Excise Act 1976 respectively to empower the Director General of Customs and Excise to provide an electronic service to any person for the furnishing of any declaration or any other document and for the service of notice, direction, order, permit, receipt or any other document. This is to facilitate the procedures for the movement of any person carrying any goods through a process of declaration that is more efficient.

Proposed

Section 145E of Customs Act 1967

Section 44AC of Excise Act 1976

(1) Notwithstanding any other provision of this Act and subject to the regulations made under this Act, the Director General may provide an electronic service to any person for—

(a) the furnishing of any declaration or any other document; and

(b) the service of any notice, direction, order, permit, receipt or any other document.

(2) Where a declaration is made and transmitted to the Director General, the Director General shall not be liable for any loss or damage—

(a) suffered by any person by reason of any error or omission of whatever nature or howsoever arising that appears in any electronic document obtained by any person under the electronic service if the error or omission was made in good faith and in the ordinary course of the discharge of the duties of the Director General; or

(b) occurred or arose as a result of any defect or breakdown in the electronic service or in the equipment used for the provision of the electronic service.

(3) Any declaration made and transmitted by any person under subsection (1) shall be deemed to have been submitted or served at the time the declaration is received by the Director General.

Effective Date

1 January 2027

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Global Minimum Tax





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Key Message

"With Malaysia's first Global Minimum Tax ("GMT") filing cycle approaching, the proposed amendments provide greater clarity on key computation and filing requirements. Notably, the revised condition for using local financial statements for Domestic Top-up Tax ("DTT") in Malaysia align with the Organisation for Economic Co-operation and Development (OECD)'s latest Administrative Guidance issued in September 2026. The proposed amendments also clarified the filing requirements for JVs, and Constituent Entity ("CE") owned by multiple Multinational Enterprise ("MNE") Groups."

GMT in Malaysia

1 Revised conditions for the use of local financial statements for DTT

Currently, the Financial Accounting Net Income or Loss (FANIL) for DTT purposes is determined based on the local financial statements of the CE provided, among others, that all Malaysian CEs of the MNE Group have the same Financial Year as the Ultimate Parent Entity ("UPE") (provided under Section 164(2)(a) of Part XI of the ITA, "Section 164(2)(a) condition").

Where the Section 164(2)(a) condition is not met, the DTT computation must, by default, be prepared based on the CE's financial accounts used in preparing the UPE's Consolidated Financial Statements ("CFS"), instead of its local financial statements. For example, where the UPE has a Financial Year ending 31 March and the Malaysian CEs have a Financial Year ending 31 December, the Malaysian CEs would not meet the Section 164(2)(a) condition and would need to prepare their DTT computations based on their financial accounts used in preparing the UPE's CFS.

It is proposed that the Section 164(2)(a) condition be revised such that the CE's financial statements can be used for DTT purposes, provided among others, that the accounting periods of all Malaysian CEs of the MNE Group fall within the respective accounting periods used for those CEs by the UPE in preparing its CFS. In other words, Malaysian CEs with different Financial Year from the UPE may still use their local financial statements for DTT purposes, provided that the accounting period of those local financial statements aligns with the accounting period used for that CE in preparing the UPE's CFS.

It is further proposed that that an exception be provided where a Malaysian CE has a different accounting period because the CE became or ceased to be a CE during the relevant accounting period or immediately preceding accounting period, due to an acquisition, disposition, dissolution, merger or similar restructuring, including the establishment of a Permanent Establishment.

The proposal is deemed to have effect for the Financial Year beginning on or after 1 January 2025 and subsequent Financial Years.

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2 Extension of GMT provisions to JV and its subsidiaries

Currently, the GMT provisions applicable to JV and its subsidiaries are primarily focused on the determination and computation of GMT liability under Chapters 5 to 10 of Part XI of the ITA, covering, among others, the computation of Global Anti-Base Erosion Rules (GloBE) Income or Loss, Adjusted Covered Taxes, the Effective Tax Rate and Top-up Tax, corporate restructurings and holding structures, tax neutrality and distribution regimes, and Safe Harbours.

It is proposed that the GMT provisions applicable to JV and its subsidiaries be extended to sections 158(1) and 159(1), as well as Chapters 11 to 19 (other than sections 201, 224 and 226) of Part XI of the ITA, which will apply to JV and its subsidiaries as if they were CEs. This establishes a more comprehensive framework that extends beyond GMT computation to cover transitional rules, persons chargeable, returns, assessments, appeals, collection and recovery, offences and penalties, relief and supplemental provisions. Accordingly, JV and its subsidiaries will also be subject to the applicable Top-up Tax Return filing requirements as if they were CEs.

The following sections are specifically excluded from the proposed extension, as JV and its subsidiaries are not subject to a separate Information Return filing obligation, with the relevant JV information instead included in the MNE Group's Information Return:-

- Section 201 – Information return by a CE;
- Section 224 – Failure to file the CE information return; and
- Section 226 – Incorrect information return.

The proposal is deemed to have effect for the Financial Year beginning on or after 1 January 2025 and subsequent Financial Years.

3 Top-up Tax Return filing deadline for a CE that is a member of two or more MNE Groups

Currently, every CE of an MNE Group is required to file a Top-up Tax Return not later than 15 months from the last day of the Financial Year.

It is proposed that a CE who is a member of two or more MNE Group in a Financial Year is required to submit a Top-up Tax Return:-

- not later than 15 months from the last day of the Financial Year, if the MNE Groups have the same Financial Year; or
- not later than 15 months from the last day of the later Financial Year, if the MNE Groups have the different Financial Year.

The proposal comes into operation on 1 January 2027.

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The table below sets out the various abbreviations and references used in this publication.

Abbreviation	Reference
BEPS	Base Erosion and Profit Shifting
CbCR	Country-by-Country Reporting
CE	Constituent Entity
CFS	Consolidated Financial Statements
DGIR	Director General of Inland Revenue Board
DTA	Double Taxation Agreement
DTT	Domestic Top-up Tax
ETP	Estimates of Tax Payable
GMT	Global Minimum Tax
GOM	Government of Malaysia
ITA	Income Tax Act 1967
IRB	Inland Revenue Board
JV	Joint Venture
LBATA	Labuan Business Activity Tax Act 1990
LLP	Limited Liability Partnership
MNE	Multinational Enterprise
MSMC	Micro, small and medium company
MSME	Micro enterprise or small and medium enterprise
MOF	Minister of Finance
PITA	Petroleum (Income Tax) Act 1967
PTF	Property Trust Fund
QEE	Qualifying exploration expenditure
QPE	Qualifying plant expenditure
REIT	Real Estate Investment Trust
RGA	Relevant Government Authority
RM	Ringgit Malaysia

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RPGT	Real Property Gains Tax
RPGTA	Real Property Gains Tax Act 1976
SA	Stamp Act 1949
UPE	Ultimate Parent Entity
WHT	Withholding tax
YA	Year of Assessment

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