Malaysia's Latest Indirect Tax Updates

24 August 2026

From June to August, the Malaysian Government has implemented several key Indirect Tax reforms designed to formalise existing policies, provide clarity and reinforce compliance. These updates impact multiple sectors and carry significant implications for businesses.

Our latest Indirect Tax Updates cover 12 key areas:

1. Updates on Sales Tax Exemption on Critical Raw Materials or Manufacturing Inputs
2. Issuance of Service Tax Policy No. 3/2026 - Service Tax Treatment on Maintenance Charges and Sinking Fund For Non-residential Premises/ Buildings Charged by Joint Management Bodies (JMB) or Management Corporations (MC)
3. Updates to Service Tax Policy No. 1/2025 - Financial Services
4. Updates on Excise Duty-Related Exemptions
5. Update on Import Duty and Sales Tax Exemptions for Importation of Multimedia/ ICT Equipment by Malaysia Digital (MD) Companies
6. Updates to Service Tax Policy No. 2/2025 - Rental or Leasing Services
7. Issuance of Service Tax Policy No. 4/2026 - Determination of Value and Imposition of Service Tax On Rental Or Leasing Services, Group K, First Schedule, Service Tax Regulations 2018 Provided by More Than One Service Provider
8. Customs Public Ruling 3/2026 - Determination of Foreign Currency Selling Exchange Rate for Service Tax Invoices and Sales Tax Invoices
9. Updates on Sales Tax Exemption on Ships and Vessels under Harmonised System (HS) Code 8901-8908
10. Updates on the Service Tax Treatment on Employment Services
11. Customs Public Ruling 4/2026 - Application for Review
12. Updates to Service Tax Policy No.5/2025 - Healthcare Services

1. Updates on Sales Tax Exemption on Critical Raw Materials or Manufacturing Inputs

The Royal Malaysian Customs Department (RMCD) previously issued the Sales Tax Policy No. 1/2026 (SlTP 1/2026) dated 4 February 2026 in the MySST Portal.

Under SlTP No. 1/2026, the Ministry of Finance (MoF) has granted a sales tax exemption effective 1 January 2026 on critical raw materials and manufacturing inputs used by registered manufacturers, covering goods utilised in the production of livestock and agricultural products, such as:

- Animal feed: e.g., fishmeal, rice bran, etc. (refer Appendix I)
- Fertilisers: e.g., rock phosphate (calcinated), dolomite, etc. (refer Appendix II)
- Pesticides: e.g., glyphosate (including salts), glufosinate (including salts), etc. (refer Appendix III)

Subsequently, RMCD issued the Sales Tax Policy No. 1/2026 (Amendment No. 1) (SlTP 1/2026 (Amendment No.1)) on 22 June 2026 on the MySST Portal.

The salient updates under SlTP 1/2026 (Amendment No.1) are as follows:

a. Documentation requirements for sales tax exemption

Manufacturers seeking sales tax exemption on qualifying raw materials must now provide different supporting documents depending on the date of importation or purchase:

- Prior to 18 May 2026: a manufacturing certificate/license issued by the Department of Veterinary Services, the Pesticides and Fertilisers Control Division of the Department of Agriculture or the Ministry of Domestic Trade and Cost of Living (KPDN); or
- Effective 18 May 2026: a Manufacturing License (ML) or a Confirmation Letter for Exemption from Manufacturing License issued by the Malaysian Investment Development Authority (MIDA).

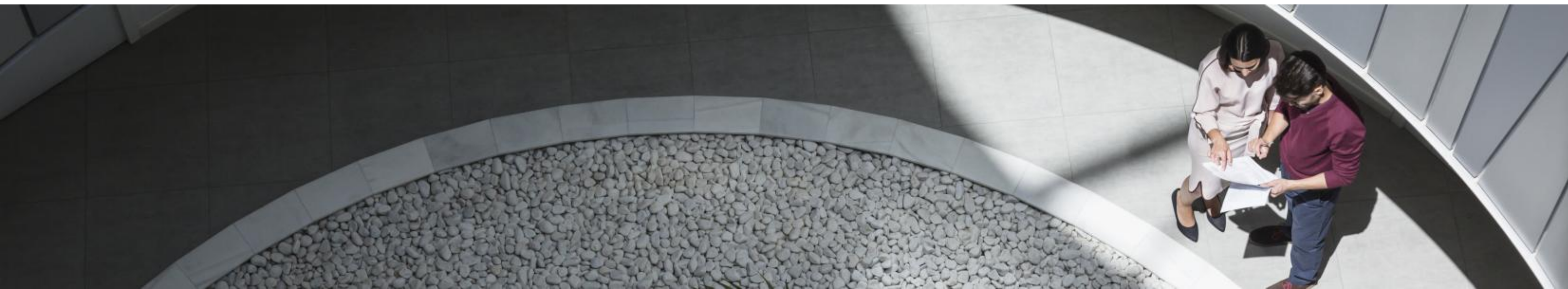
b. Changes to refund conditions

The refund conditions were updated as follows:

i. Raw materials must belong to a category approved by the Minister of Finance (previously the Secretary General of Treasury)

ii. Supporting documentation requirements are as follows:

- Prior to 18 May 2026: a manufacturing certificate/license issued by the Department of Veterinary Services, the Pesticides and Fertilisers Control Division of the Department of Agriculture or KPDN (whichever is relevant to the manufacturing activity); or
- Effective 18 May 2026: an ML or a Confirmation Letter for Exemption from Manufacturing License issued by MIDA only (whichever is relevant).



1. Updates on Sales Tax Exemption on Critical Raw Materials or Manufacturing Inputs (cont'd)

c. Extension of refund application deadline

The original policy required refund applications to be submitted by 30 April 2026. However, the deadline under SlTP 1/2026 (Amendment No.1) has been extended to 31 October 2026. No extensions of time will be granted after this date.

Commentary

- The SlTP 1/2026 (Amendment No.1) requires eligible manufacturers to obtain an ML or a Confirmation Letter for Exemption from Manufacturing License issued by MIDA before sales tax exemption or refund may be granted by RMCD. The extension to 31 October 2026 also gives affected manufacturers additional time to recover sales tax incurred on qualifying raw materials.
- At the time of writing, the recent gazettement of Sales Tax (Goods Exempted from Sales Tax) Order did not reflect any sales tax exemption of such goods. Accordingly, the refund mechanism issued under this policy serves as a measure to guide taxpayers in obtaining a sales tax refund on the purchase or importation of such goods, given that SST operates as a single stage consumption tax.

2. Issuance of Service Tax Policy No. 3/2026 - Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-residential Premises/Buildings Charged by Joint Management Bodies (JMB) or Management Corporations (MC)

RMCD issued the Service Tax Policy No. 3/2026 (SvTP 3/2026) dated 24 June 2026, on the MySST Portal on 25 June 2026. The SvTP 3/2026 is effective from 1 July 2026, until the date the amendment to the Service Tax Regulations 2018 is gazetted.

The salient updates under SvTP 3/2026 are as follows:

- The Minister of Finance has stipulated that maintenance or repair services, including maintenance management services related to premises/buildings for non-residential use provided by any Joint Management Body (JMB) or Management Corporation (MC), are not a taxable service.
- The service tax exemption for maintenance charges and sinking fund contributions relating to non-residential premises/buildings will be formally effective once the relevant amendments to the Service Tax Regulations 2018 are gazetted. Pending gazettement, property owners, JMBs and MCs are exempted by the Minister of Finance under Section 34(3)(a) of the Service Tax Act 2018 from charging, collecting or remitting service tax.
- No service tax exemption is available on maintenance charges and sinking fund contributions for non-residential premises/buildings for periods prior to 1 July 2026, and any service tax due up to 30 June 2026 must be remitted to RMCD, failing which RMCD may take recovery action against the relevant JMB or MC.
- JMBs and MCs remain liable to pay service tax on taxable services acquired from third parties, even where such services are funded through maintenance charges or sinking fund contributions.

2. Issuance of Service Tax Policy No. 3/2026 - Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-residential Premises/Buildings Charged by Joint Management Bodies (JMB) or Management Corporations (MC) (cont'd)

Commentary

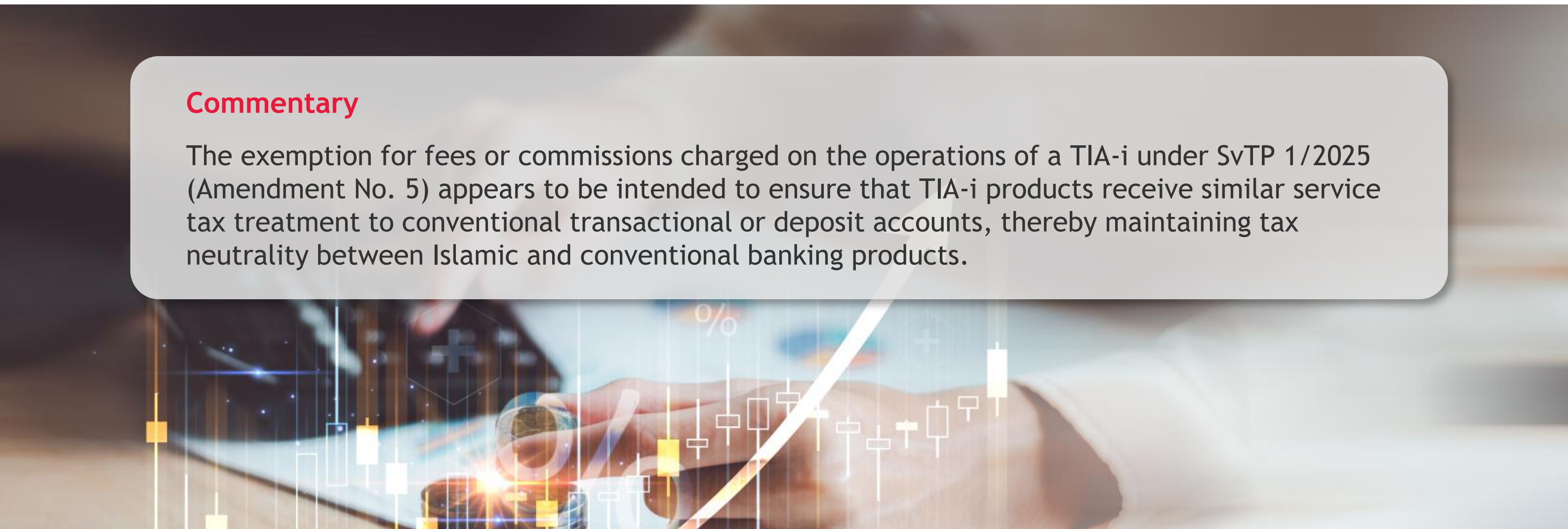
- While property owners, JMBs and MCs are exempted from charging service tax on maintenance charges and sinking fund contributions for non-residential premises/buildings, the exemption does not cover taxable services procured from third-party suppliers, such as property management, security, cleaning and landscaping services. Service tax on these services therefore remains a cost to property owners, JMBs and MCs, although the exemption helps reduce tax cascading. In a New Straits Times article dated 26 June 2026, the Malaysian Institute of Property and Facility Managers (MIPFM) noted that the exemption reduces operating costs for property owners, JMBs, MCs and building tenants, while providing greater certainty in budgeting for operations and maintenance.
- The MoF appears to have considered the legal framework under the Strata Management Act 2013 and the Income Tax Act 1967 in formulating this exemption. Under the Strata Management Act 2013, maintenance charges and sinking fund contributions are statutory payments made by parcel owners to the strata management body (SMB) for the upkeep of their own property. Consistent with the principle of mutuality under subsection 53A(2) of the Income Tax Act 1967, such collections are generally not treated as consideration for services and are therefore not subject to income tax.
- At the time of writing, the amendments to the Service Tax Regulations 2018 have yet to be gazetted to give effect to the exemption under the Group G: Repair or Maintenance Services, as the legislative amendment process may take time.

3. Updates to Service Tax Policy No. 1/2025 - Financial Services

RMCD issued the Service Tax Policy No. 1/2025 (Amendment No. 5) (SvTP 1/2025 (Amendment No. 5)) dated 1 July 2026 on the MySST Portal on 3 July 2026. This supersedes the previous SvTP 1/2025 (Amendment No. 4) dated 1 April 2026.

The salient updates under SvTP 1/2025 (Amendment No. 5) are as follows:

Item	Description	Effective Date	Updates
14.	Exemption from the payment of service tax on fees or commissions charged on the operation of a Transactional Investment Account (TIA-i) ▸ This exemption shall take effect from 1 June 2026. ▸ No refund of service tax shall be granted to any person who has paid service tax for the period from 1 July 2025 to 31 May 2026. ▸ Applications for refunds of service tax for the period commencing from 1 June 2026 shall be made in accordance with RMCD's standard refund procedures.	1 June 2026	The policy conditions under item 14 are as follows: (a) The TIA-i service provider is a registered person under the Service Tax Act 2018; (b) The TIA-i account shall comply with shariah principles under the Islamic Financial Services Act 2013; (c) The TIA-i shall be an account which has the same functions and purposes as a savings account or a current account (CASA), such as for daily transaction use, and must not have a locked-in period; and (d) The fees or commissions charged shall relate to the operation of the TIA-i for the following services: i. cash deposits, cash withdrawals, payments, or fund transfers; ii. issuance of a debit card; iii. basic transactions at the counter; iv. basic transactions of automated teller machines (ATM); or v. printing of account statements.



Commentary

The exemption for fees or commissions charged on the operations of a TIA-i under SvTP 1/2025 (Amendment No. 5) appears to be intended to ensure that TIA-i products receive similar service tax treatment to conventional transactional or deposit accounts, thereby maintaining tax neutrality between Islamic and conventional banking products.

4. Updates on Excise Duty-related Exemptions

The following Excise Duty exemption orders were gazetted on 7 July 2026 and came into effect on 10 July 2026. The key updates are summarised below:

No.	Excise Duty Exemption Order	Salient Points
1.	Excise Duties (Exemption) (Amendment) (No. 2) Order 2026 [P.U. (A) 250/2026]	▸ Part I of the Schedule in the Excise Duties (Exemption) Order 2017 [P.U. (A) 444/2017] has been amended to grant an excise duty exemption to licensed manufacturers of manufactured motor cars under heading 87.03 as well as motorcycles under heading 87.11. ▸ However, such exemption only applies to motor vehicles temporarily removed from a licensed premises or warehouse for exhibition, demonstration, training, repair, research or testing purposes, subject to prior notification from RMCD, security requirements, return of the goods within the prescribed period, and proper record keeping.
2.	Excise (Exemption from Licensing) (Amendment) Order 2026 [P.U. (A) 251/2026]	▸ The Schedule to the Excise (Exemption from Licensing) Order 2019 [P.U. (A) 155/2019] has been amended to exempt workshop owners carrying out modifications from panel vans to window vans from licensing under the Excise Act 1976.

Commentary

- The Exemption Order appears to have been introduced to facilitate the temporary removal of motor vehicles and motorcycles from licensed manufacturing premises or licensed warehouses for operational and promotional purposes without triggering an excise duty cost, while safeguarding revenue through notification, security and record-keeping requirements.
- The Excise Exemption from Licensing Order is intended to reduce the compliance burden on vehicle conversion workshops by excluding them from excise licensing and administration requirements.

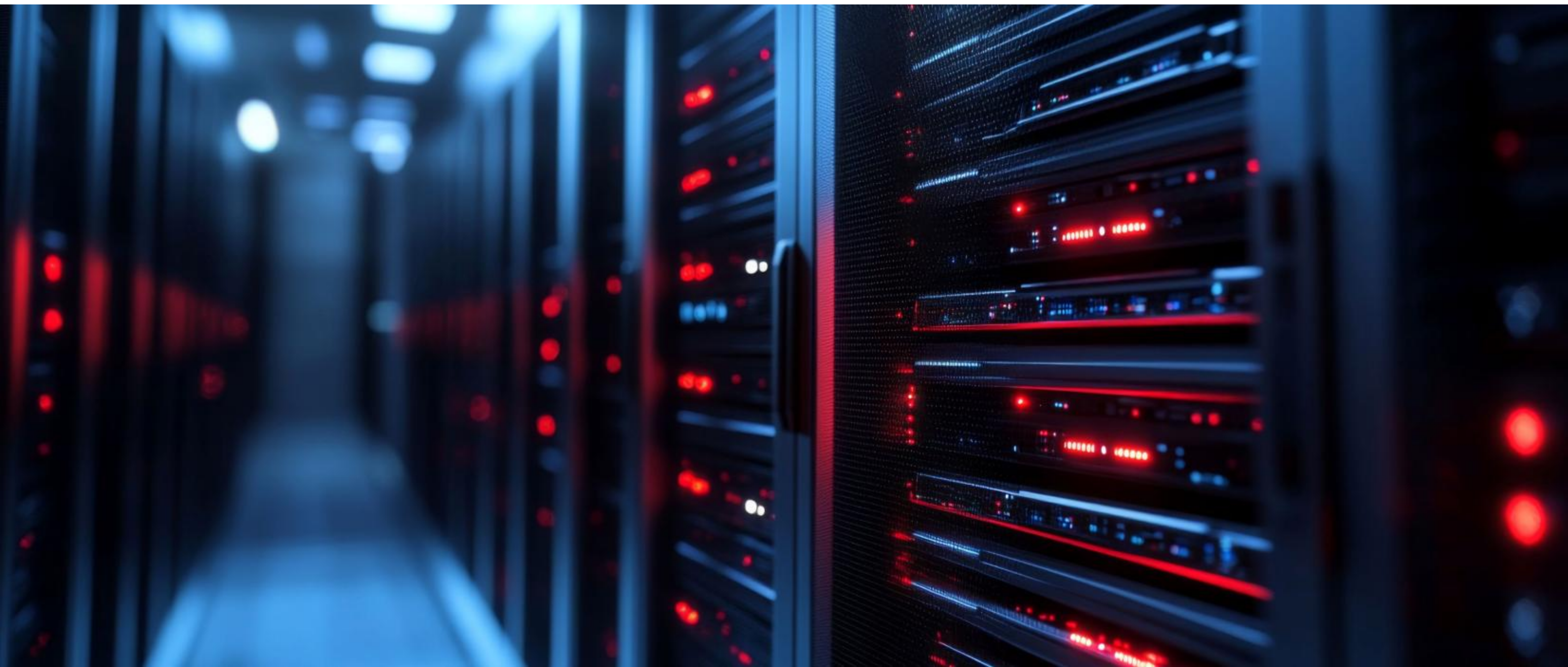
5. Update on Import Duty and Sales Tax Exemptions for Importation of Multimedia/ICT Equipment by Malaysia Digital (MD) Companies

FAQ 6 of the policy update from the Malaysia Digital Economy Corporation (MDEC) dated 26 December 2025 on import duty and sales tax exemptions for Multimedia/Information and Communication Technology (ICT) equipment imported by MD Companies undertaking data centre activities indicated that updated procedures and guidelines were expected in the first quarter (Q1) of 2026. This policy update applies only to MD Companies involved in data centre activities.

However, based on the recent MDEC announcement dated 20 July 2026, relevant implementation procedures and detailed guidelines are currently being refined in consultation with the relevant Ministries, i.e., MoF and Ministry of Digital. Accordingly, the operationalisation of the updated procedures is taking longer than initially anticipated.

Commentary

- The delay does not appear to reflect a withdrawal of support for MD companies vis-à-vis import duty and sales tax exemptions for Multimedia/ICT equipment imported for data centre activities. Rather, it appears to be a temporary policy gap while the Government finalised a revised exemption framework that balances investment promotion objectives with fiscal governance and compliance requirements.
- Based on this update, the Government appears to be assessing and refining the scope and conditions of the import duty and sales tax exemptions to ensure the incentives remain aligned with current digital economy objectives and investment priorities.
- Given the growing value of multimedia and ICT equipment imports, particularly by cloud, hyperscale and data centre operators, the Government may need to enhance controls to ensure exemptions are granted only for genuine as well as high-value qualifying investments.



6. Updates to Service Tax Policy No. 2/2025 - Rental or Leasing Services

RMCD issued the Service Tax Policy No. 2/2025 (Amendment No. 5) (SvTP 2/2025 (Amendment No. 5)) dated 22 July 2026 on the MySST Portal. This supersedes the previous SvTP 2/2025 (Amendment No. 4) dated 6 February 2026.

The salient updates under SvTP 2/2025 (Amendment No. 5) are as follows:

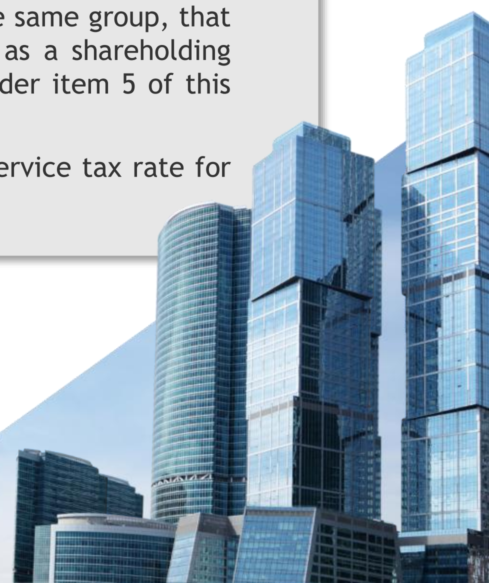
Item	Description	Salient Points
4.	Tenants with Micro, Small, and Medium Enterprise (MSME) status are exempted from paying service tax on the acquisition of rental or leasing services.	The additional conditions are as follows: ▸ Exemption eligibility is based on the annual sales value declared by the MSME to Inland Revenue Board of Malaysia (IRBM) for the latest year of assessment as follows: i. Annual sales value of less than RM1 million is eligible for service tax exemption starting 1 July 2025. ii. Annual sales value exceeding RM1 million and less than RM1.5 million is eligible for service tax exemption starting 1 January 2026. ▸ MSMEs registered in the MyPMK system up to 31 December 2026 are eligible to enjoy the service tax exemption on rental or leasing services starting from 1 July 2025 or 1 January 2026 based on their respective annual sales value thresholds. ▸ For the purpose of renewing this exemption eligibility status, MSMEs must update their annual sales value every year through the MyPMK system not later than the last day of the following month in which the latest annual tax assessment return is submitted to IRBM, subject to the following: i. MSMEs must have a paid-up ordinary share capital not exceeding RM2.5 million. ii. For MSMEs established by a company within the same group of companies, the shareholding of the company owning the MSME must not exceed 20%.

6. Updates to Service Tax Policy No. 2/2025 - Rental or Leasing Services (cont'd)

Item	Description	Salient Points
8.	A service tax exemption of 2% on the service tax rate for rental or leasing services is granted until amendments to the subsidiary legislation are gazetted.	With the gazetting of subsidiary legislation via P.U. (A) 125, namely the Service Tax (Rate of Tax) (Amendment) Order 2026 on 13 March 2026, this 2% service tax exemption on the rental or leasing service tax rate is revoked. Effective 1 January 2026, the service tax rate on rental or leasing services is 6%.
9.	Tenants' MSME status who have newly established a business are exempted from paying service tax on the acquisition of rental or leasing services. Newly established MSME businesses are eligible to enjoy service tax exemption treatment on rental and leasing services.	The additional conditions are as follows: ▸ MSMEs must have a paid-up ordinary share capital not exceeding RM2.5 million. ▸ For MSMEs established by a company within the same group of companies, the shareholding of the company owning the MSME must not exceed 20%.

Commentary

- For the MSME exemption, MSMEs registered in the MyPMK system by 31 December 2026 may qualify for service tax exemption from 1 July 2025 if their annual sales value is below RM1 million, or from 1 January 2026 if their annual sales value exceeds RM1 million but is below RM1.5 million. RMCD has also prescribed the following additional conditions:
    - The MSME must have paid-up ordinary share capital not exceeding RM2.5 million. This is in line with the conditions under IRBM's Public Ruling No. 8/2025: Tax Treatment for Micro, Small and Medium Companies.
    - Where the MSME is established by another company within the same group, that company's shareholding in the MSME must not exceed 20%, as a shareholding above this threshold may fall within the intragroup relief under item 5 of this policy.
- The policy also formally confirms that, following gazettement, the service tax rate for rental and leasing services is 6% effective 1 January 2026.



7. Issuance of Service Tax Policy No. 4/2026 - Determination of Value and Imposition of Service Tax on Rental or Leasing Services, Group K, First Schedule, Service Tax Regulations 2018 Provided by More Than One Service Provider

RMCD issued the Service Tax Policy No. 4/2026 (SvTP 4/2026) dated 22 July 2026 on the MySST Portal.

SvTP 4/2026 sets out the determination of threshold value and the service tax treatment for rental or leasing services provided by more than one service provider:

a) Persons who **jointly provide** rental or leasing services under a single rental or leasing agreement/contract shall be **treated as separate entities** and are required to register individually as service providers based on their respective total taxable services (threshold value). Each party is required to **issue an invoice for their individual portion or breakdown of the rental or leasing value.**

b) Where the rental or leasing service is provided as a whole **under a single rental or leasing agreement/contract**, with a **single invoice** issued in the name of one party without any breakdown of each party's portion (e.g., a separate Joint Venture or representative), then that party shall be **treated as the rental or leasing service provider** and will be liable for service tax registration, provided the threshold value is met.

Commentary

- SvTP 4/2026 addresses practical issues involving properties owned by multiple parties (such as co-owners, joint venture partners, or family members) and clarifies the service tax treatment where rental or leasing services are jointly provided under a single tenancy or lease agreement.
- To comply with SvTP 4/2026, landlords of jointly owned commercial properties should clearly document ownership interests and rental income allocations through appropriate agreements and supporting records. Each owner should also assess their SST registration obligations based on their respective share of taxable rental income and review any existing co-ownership or joint venture arrangements.

8. Customs Public Ruling 3/2026 - Determination of foreign currency selling exchange rate for service tax invoices and sales tax invoices

RMCD issued the Customs Public Ruling 3/2026, dated 28 July 2026, on the MySST Portal on 28 July 2026.

This Customs Public Ruling clarifies the foreign exchange rates to be applied by sales tax licensed manufacturers and service tax registered persons, collectively referred to as “SST Registered Persons”, when the sales or service value is denominated in a currency other than Malaysian Ringgit. This Customs Public Ruling supersedes Customs Public Ruling 1/2026 dated 31 March 2026.

The salient updates under this Customs Public Ruling are as follows:

a. Inclusion of the tax point (i.e., time when sales tax and service tax becomes due and payable)
The determination of the tax point for sales tax and service tax shall be in accordance with Section 11 of the Sales Tax Act 2018 and Section 11 of the Service Tax Act 2018.

b. Removal of Importation and Imported Services Provisions
Provisions relating to the importation of dutiable and taxable goods as well as imported taxable services were removed under this Customs Ruling.

Commentary

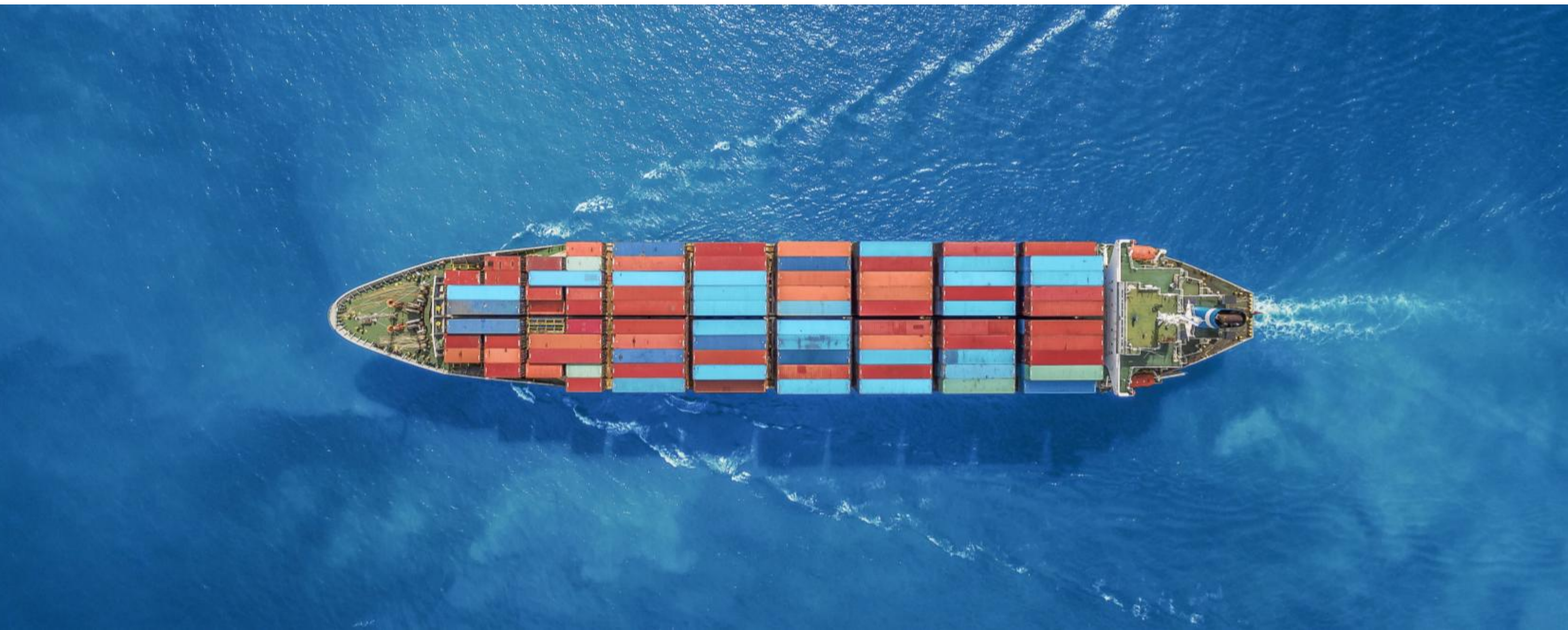
- The guidance on foreign exchange rates set out above was previously addressed across various sales tax and service tax guidelines issued by RMCD.
- The updates under the current Customs Public Ruling provided clarity that the relevant exchange rate should be considered in conjunction with the tax point provisions under the Sales Tax Act 2018 and the Service Tax Act 2018
- The scope of the current Customs Public Ruling is now focused on sales tax invoices and service tax invoices issued by sales tax registered manufacturers or service tax registered person, rather than scenarios pertaining importation of goods and imported taxable services.

9. Updates on the Sales Tax Exemption on Ships and Vessels under HS Code 8901-8908

- RMCD previously issued the Sales Tax Policy No. 3/2026 (SITP 3/2026) dated 25 May 2026 in the MySST Portal.
- SITP 3/2026 applies all ships and vessels falling under HS Codes 8901 to 8908 will be exempted from sales tax under section 35(3)(a) of the Sales Tax Act 2018, as approved by the Minister of Finance. Such exemption covers ships and vessels manufactured locally, purchased in Malaysia, or imported into Malaysia, including those brought in for repair and maintenance and is valid from 1 July 2026 until 31 July 2026.
- Subsequently, and in line with the announcement under SITP 3/2026, the following sales tax orders were gazetted on 31 July 2026 and came into effect on 1 August 2026:
  - Sales Tax (Goods Exempted from Sales Tax) (Amendment) Order 2026 [P.U. (A) 276/2026], which amended the Schedule under the Sales Tax (Goods Exempted from Sales Tax) Order 2025 [P.U. (A) 171/2025] to include goods under tariff headers 89.01, 89.03,89.04, 89.05, 89.06, 89.07 and 89.08; and
  - Sales Tax (Rate of Sales Tax) (Amendment) Order 2026 [P.U. (A) 281/2026], which deleted all goods falling under tariff headers 89.01, 89.05, 89.06, 89.07, 89.08, and the particulars relating to it in the Sales Tax (Rate of Sales Tax) Order 2025 [P.U. (A) 170/2025].

Commentary

- The above updates reflect the Government's decision to exempt sales tax on all ships and vessels, which serves as an interim measure to ensure continuity and minimise disruption to the maritime and shipping industry.
- From 1 July 2026 to 31 July 2026, the sales tax exemption was provided under SITP 3/2026. Following the gazettement of the Sales Tax (Goods Exempted from Sales Tax) Order, the Order now supersedes SITP 3/2026.



10. Updates on the Service Tax Treatment on Employment Services

RMCD previously issued the Service Tax Guide on Employment Services (Employment Services Guide), dated 9 June 2026, on the MySST Portal on 11 June 2026. The key update was to Frequently Asked Question 10, which stated that salary, emoluments and related fees or charges would not qualify as disbursements and would therefore be subject to service tax, irrespective of whether a mark-up was imposed.

RMCD subsequently issued the following updates in relation to the service tax treatment on employment services:

No.	Details	Updates
1.	Updates on the Employment Services Guide	Based on the recent notice pertaining the Employment Services Guide MySST Portal on 13 August 2026, RMCD removed the Employment Services Guide dated 9 June 2026 and reinstated the previous guide dated 14 May 2024. RMCD clarified that service tax applies only to employment or management fees charged for providing manpower or managing workers. Any pass-through costs or disbursements (subject to meeting conditions) that are merely reimbursed by the client are not subject to service tax. RMCD also confirmed that the following fees or charges paid to the Federal or State Governments are treated as disbursements and are therefore not subject to service tax: ▶ Fees ▶ Duties ▶ Levies ▶ Taxes ▶ Government charges ▶ Legal penalties or fines imposed under written laws
2.	Issuance of Customs Public Ruling 5/2026 - Determination of the Meaning of Secondment of Employees for Employment Services	RMCD issued the Customs Public Ruling 5/2026, dated 12 August 2026, on the MySST Portal on 18 August 2026. Under the Service Tax Regulations 2018, the "secondment of employees" is not subject to service tax, subject to the prescribed conditions. Accordingly, this Customs Public Ruling was issued to clarify the meaning of "secondment of employees" in the context of employment services for service tax purposes. The "secondment of employees" will not be subjected to service tax only if all the conditions are met: **a. Existence of a secondment agreement** A formal employee secondment (or loan of employee) agreement must be in place between the original employer (seconder) and the receiving company.

10. Updates on the Service Tax Treatment on Employment Services (cont'd)

No.	Details	Updates
2.	Issuance of Customs Public Ruling 5/2026 - Determination of the Meaning of Secondment of Employees for Employment Services (cont'd)	**b. Seconder is not in the business of supplying manpower** The original employer must not be carrying on a business whose principal activity is the provision or supply of employment services (e.g., employment agencies or manpower suppliers). **c. Temporary assignment** The employee must be transferred for a temporary and fixed period and is expected to return to the original employer upon completion of the assignment. **d. Continuous employment relationship** The employee must remain employed by the original employer throughout the secondment period, without any break in employment. **e. Exclusive service to the receiving company** During the secondment period, the employee should work only for the receiving company. **f. Control and supervision by the receiving company** The receiving company must exercise full control over the employee's day-to-day duties, work performance, schedule and deliverables during the secondment period. **g. Pure cost recovery** Salary, wages, allowances and related employment costs must be recovered by the receiving company on a full cost-recovery basis only, with **no mark-up, surcharge or profit element** charged by the original employer. **h. Time limitation** The secondment period must be **less than six months within the same calendar year** and must not continue into the following year. **If any of the above conditions is not satisfied**, the arrangement may be regarded as a **taxable employment service**, rather than a genuine employee secondment, for service tax purposes.

10. Updates on the Service Tax Guide on Employment Services (cont'd)

Commentary

- The above updates reflect the Government's decision to acknowledge the importance of the application of the **agent-principal principle** when determining the taxability of employment related charges, rather than imposing service tax on all charges as per the Employment Services Guide dated 9 June 2026. Therefore, service tax should not apply where such costs are recharged strictly in an **agent** capacity, as they may be regarded as disbursements rather than consideration for services rendered.
- As for fees or charges paid to the Federal or State Governments, these are statutory in nature. Therefore, we concur with RMCD's position that such payments should not be subject to service tax.
- Accordingly, businesses should review employment service-related charges in line with RMCD's guidance under the Guide on Disbursement and Reimbursement dated 15 September 2020 to determine and substantiate if any portion of the changes relate to genuine pass-through costs or disbursements. BDO would be pleased to assist in such a review, if required.
- Although the conditions prescribed under Customs Public Ruling 5/2026 appear to be strict in nature, they are broadly aligned with RMCD's Employment Services Guide. The key exception is a new requirement stipulating that the secondment period be less than six months within the same calendar year and must not extend into the following year. This may pose practical challenges, as secondment arrangements often exceed six months or span more than one calendar year. In addition, the Employment Act 1955 does not prescribe a statutory maximum period for secondments; the duration is generally agreed contractually between the parties and documented in the secondment agreement, such as for six months, one year or two years.
- Accordingly, businesses should review their existing secondment agreements against the Customs Public Ruling 5/2026 to determine and substantiate whether the arrangements meet the above RMCD requirements. BDO would be pleased to assist with such a review, if required.

11. Customs Public Ruling 4/2026 – Application for Review

RMCD issued the Customs Public Ruling 4/2026, dated 13 August 2026 on the RMCD website.

This Customs Public Ruling provides guidance to taxpayers seeking a review of a written decision issued by the Director General of RMCD (DGC). This supersedes Customs Public Ruling 1/2020 dated 19 August 2021.

The salient updates under this Customs Public Ruling are as follows:

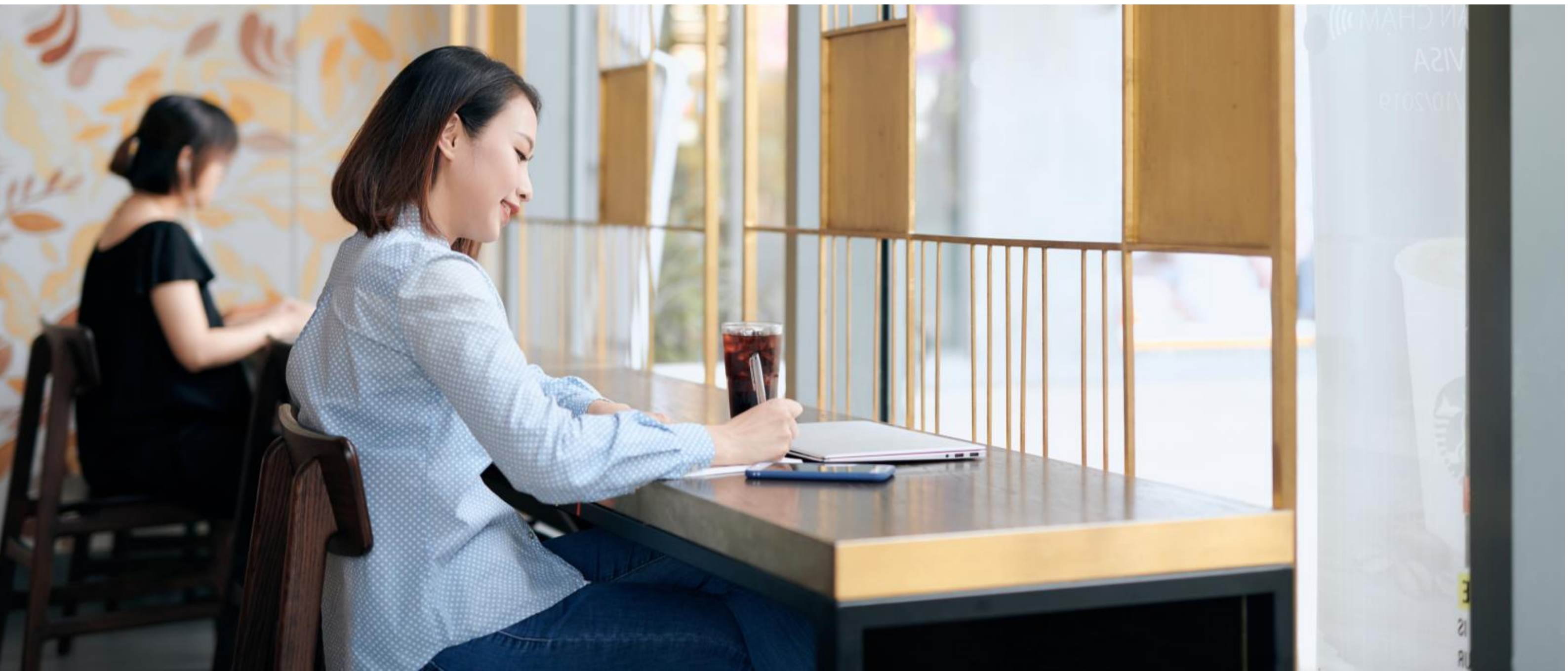
No.	Description	Details
1.	Overview	This Customs Public Ruling largely preserves the review mechanism under Customs Public Ruling 1/2020, while introducing key clarifications, scope refinements and procedural enhancements, together with improved structure and guidance.
2.	Clarification that only "final decisions" are reviewable	The following definitions were included under this Customs Public Ruling: ▶ **Final decision** - any final decision made in writing by the DGC, excluding any letter issued to notify or clarify a tax treatment. ▶ **Customs Ruling** - decision issued by the DGC in relation to matters prescribed under section 10A of the Customs Act 1967 (Act 235), section 5A of the Excise Act 1976 (Act 176), section 43 of the Sales Tax Act 2018 (Act 806), and section 42 of the Service Tax Act 2018 (Act 807). Tax treatment clarification letters (*surat pemakluman berkaitan layanan cukai*) issued by RMCD Headquarters (HQ) or State Customs Offices are not final decisions and therefore cannot be reviewed directly. Only decisions or tax treatments issued under a Customs Ruling may be subject to a review application.
3.	Additional matters to be excluded from review	This Customs Public Ruling added that that the following are to be excluded from review: a. matters currently under RMCD investigation. b. involves an unpaid bill of demand.
4.	Expansion and clarification of legislative coverage	This Customs Public Ruling expressly sets out the relevant review provisions and procedural regulations under the Customs Act 1967, Excise Act 1976, GST Act 2014, Tourism Tax Act 2017, Sales Tax Act 2018, Service Tax Act 2018 and Departure Levy Act 2019. However, Free Zones Act 1990 is excluded from this Customs Public Ruling.

11. Customs Public Ruling 4/2026 – Application for Review (cont’d)

No.	Description	Details
5.	Change of reviewing unit	Due to change in RMCD’s organisational structure, the application for review is now under the Review Unit of the Enforcement Division, RMCD HQ.
6.	New online portal	The application for review is to be submitted to http://esemakan.customs.gov.my.
7.	Stronger articulation that review decisions are final	This Customs Public Ruling clearly restates that review decisions are final. A second review is not permitted, and dissatisfied applicants may pursue further recourse through the Tribunal or High Court, where applicable.

Commentary

- The right to seek a review is provided under various indirect tax laws administered by RMCD and is consistent with Chapter 10 of the General Annex to the Revised Kyoto Convention, which states that any person directly affected by a Customs decision or omission has the right of appeal.
- This Customs Public Ruling tightens eligibility for review applications by clarifying that tax treatment clarification letters do not constitute reviewable decisions and by introducing two additional procedural exclusions, namely matters under investigation and unpaid Bills of Demand. In addition, tax treatment clarification letters are generally prescriptive in nature, and are not legally binding on RMCD or the affected taxpayer.



12. Updates to Service Tax Policy No.5/2025 – Healthcare Services

RMCD issued the Service Tax Policy No. 5/2025 (Amendment No. 4) (SvTP 5/2025 (Amendment No. 4)) dated 17 August 2026 on the MySST Portal on 18 August 2026. This supersedes the previous SvTP 5/2025 (Amendment No. 3) dated 22 May 2026.

The salient updates under SvTP 5/2025 (Amendment No. 4) are as follows:

Item.	Description	Effective Date	Salient Points
5.	Service tax exemptions are granted to newborns who have not yet obtained citizenship status.	1 July 2025	The policy conditions under item 5 are as follows: i. One of the parents must be a citizen with valid identification documents issued by the National Registration Department (NRD). ii. Documentation proof must be submitted to the private healthcare service provider during the registration process.

Commentary

- Under Malaysian law, a child born to a Malaysian citizen may not immediately possess documentary proof of citizenship at birth. During the interim period before the issuance of a birth certificate or other citizenship documentation, the newborn could potentially be treated as a non-citizen by the private healthcare provider.
- To address this issue, Item 5 of STP 5/2025 (Amendment No. 4) was introduced to ensure that newborn children of Malaysian citizens are not subject to service tax on private healthcare services solely because documentary proof of their citizenship is not yet available at the time the services are rendered.
- Accordingly, RMCD has prescribed specific conditions to ensure that the exemption is granted only where a newborn child has a verifiable link to Malaysian citizenship through at least one parent, while providing sufficient documentation for healthcare providers and RMCD to substantiate eligibility and maintain compliance.

Our Recommendations:

Review Conditions of the Legislation and Guidelines:

- Carefully review the conditions outlined in the relevant legislation and guidelines to ensure full compliance before implementing any policies.

Maintain Proper Records:

- Ensure all relevant documents are available to support the relevant tax positions taken.
- Keep all relevant documents organised and accessible to substantiate the exemption claimed by the business in the event of an RMCD audit.

Seek Professional Advice:

- When in doubt, you may consult your usual indirect tax contact at BDO to assist with compliance and mitigate potential risks.

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Disclaimer: This article provides general information only and does not constitute tax advice. Professional advice should be sought for specific circumstances.

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