

Malaysia's Latest Indirect Tax Updates

12 May 2026

Recently, the Malaysian Government implemented several key indirect tax reforms to formalise existing policies, provide greater clarity, reinforce compliance, and support businesses in navigating global uncertainty. These updates affect multiple sectors and carry significant implications for businesses.

Our latest **Indirect Tax Updates** cover **six key areas**:

1. [Customs Public Ruling 1/2026 - Foreign Exchange Rates for Invoices Issued under Sales Tax and Service Tax](#)
2. [Announcement on Interim Exemption of Import Duty and Sales Tax on Reimportation of Malaysia-made Goods and Issuance of Sales Tax Policy No. 2/2026](#)
3. [Service Tax Guide on Transmission and Distribution of Electricity Services dated 16 April 2026](#)
4. [Updates to Service Tax Policy No. 1/2025 - Financial Services](#)
5. [Issuance of Service Tax Policy No. 1/2026 - Healthcare Management Services](#)
6. [Service Tax Guide on Management Services dated 6 May 2026](#)

1. Customs Public Ruling 1/2026 - Foreign Exchange Rates For Invoices Issued under Sales Tax and Service Tax

The Royal Malaysian Customs Department (RMCD) issued the [Customs Public Ruling 1/2026](#), dated 31 March 2026, on the MySST Portal on 6 April 2026. This Customs Public Ruling aims to clarify the foreign exchange rates to be adopted by sales tax licensed manufacturers and service tax registered persons (collectively referred to as “SST Registered Persons”) where the sales value or service value is denominated in a currency other than Malaysian Ringgit. The salient points are as follows:

a. Sales of taxable finished goods and provision of taxable services

- ▶ SST Registered Persons are required to apply the foreign exchange rate on the date the taxable finished goods are sold, or the taxable service is rendered. This can be obtained from the following agencies or bodies:
 - i. The Central Bank of Malaysia or *Bank Negara Malaysia* (BNM);
 - ii. Any merchant banks in Malaysia or any other banks licensed under BNM;
 - iii. International news agencies such as *Bloomberg*, *Reuters*, *Oanda*; or
 - iv. Foreign central banks such as European Central Bank and the Federal Reserve Bank of New York.

- ▶ The foreign exchange rates will need to be used in business accounting and reporting on a consistent basis for at least one year from the end of the accounting period.
- ▶ However, taxpayers who wish to adopt a different foreign exchange rate are required to submit a written application to the Sales Tax Policy Branch or the Service Tax Policy Branch under the Internal Taxes Division of RMCD Headquarters in Putrajaya, for the approval of the Director General of Customs.

b. Importation of dutiable and taxable goods

- ▶ Specific to the assessment of customs duty, excise duty, and sales tax on the importation of dutiable and taxable goods, the foreign exchange rate shall be determined by the Director General of Customs at the point of importation.

c. Imported taxable services

- ▶ Specific to the imported taxable services, the foreign exchange rate shall be determined by at the point the service is rendered.

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 Customs Public Ruling does not explicitly prescribe the foreign exchange rate for the importation of dutiable and taxable goods or for imported taxable services. For the importation of dutiable and taxable goods, the rate applied is determined based on the weekly foreign exchange rate per RMCD's [Forex portal](#). As for imported taxable services, the applicable foreign exchange rate is determined at the point the invoice is recorded in the accounting system.
- ▶ The issuance of this Customs Public Ruling formalises RMCD's position and helps ensure that taxpayers apply the relevant foreign exchange rates consistently.
- ▶ However, taxpayers who wish to adopt a foreign exchange rate other than those prescribed in this Customs Public Ruling may submit a written application to RMCD for the Director General of Customs' approval.



2. Announcement on Interim Exemption of Import Duty and Sales Tax on Reimportation of Malaysia-made Goods and Issuance of Sales Tax Policy No. 2/2026

In light of the ongoing global uncertainties linked to ongoing geopolitical conflicts, the Malaysian Ministry of Finance (MoF) has issued a [Press Release](#) dated 20 April 2026 on the MoF website, which covers a series of measures aimed at supporting micro, small and medium-sized enterprises (MSMEs) affected by the global energy crisis.

Specific to Indirect Tax, MoF considered interim exemptions on import duties and sales tax for the reimported Malaysia-made goods that could not complete the export process due to disruptions linked to ongoing geopolitical conflicts until 31 December 2026. In addition, the Government will continue to monitor developments and assess whether further tax measures are needed to support businesses affected by the Middle East conflict.

In this regard, RMCD issued Sales Tax Policy No. 2/2026 dated 4 May 2026 (SITP 2/2026), on the MySST Portal on 5 May 2026. SITP 2/2026 provides for temporary tax relief for re-imported goods due to the Middle East conflict.

The salient points under SITP 2/2026 are as follows:

- ▶ The registered manufacturer must fulfil the following conditions:
 - ▶ Reimportation must be performed by the same registered manufacturer and that the ownership and full control of the goods must remain with the same registered manufacturer.
 - ▶ Provide clear evidence that the reimportation is directly attributable to the conflict, supported by confirmation letters from shipping companies, freight agents, port authorities, or buyers.
 - ▶ The goods brought back into Malaysia must be the same goods and quantity as those originally exported and must be reimported in full, not in part.
 - ▶ Re-imported goods must be exported again within six (6) months, although a further six (6) month extension may be granted, subject to assessment and approval by RMCD.
 - ▶ For goods which are sold locally, or disposed of, sales tax and import duty will become payable.
 - ▶ Maintain complete records to facilitate RMCD audits and comply with any additional conditions imposed for monitoring and enforcement purposes.
- ▶ The procedures for such temporary tax relief are as follows:
 - ▶ At the time of importation (via the declaration of Customs Form No. 1), the importer must submit a written application on the company's letterhead stating that the importation is made under "Sales Tax Exemption and Import Duty Relief Following the Conflict in the Middle East", and provide the original Customs Form No. 2 together with complete supporting documents (e.g., confirmation letters from the shipping company, forwarding agent, port authority, or buyer) to substantiate that the reimportation is directly attributable to the conflict in the Middle East.



- ▶ For any application to extend the export period (i.e., an additional six (6) months), the submission must be made to the Internal Taxes Division of RMCD at the registered manufacturer's customs station before the expiry of the specified period.
- ▶ In addition, goods subject to import prohibitions or restrictions under the Customs (Prohibition on Imports) Order 2023 (and any other applicable prohibitions or restrictions) must continue to comply with all relevant regulatory requirements.
- ▶ This temporary tax relief applies until 31 December 2026.

Commentary

- ▶ In the current environment, businesses may face practical challenges in meeting this timeframe. If the condition is not satisfied, the reimportation of dutiable and taxable goods may be subject to import duty and sales tax.
- ▶ As such, the proposed relaxation measure by MoF is timely to support businesses in navigating global uncertainties arising from wars, geopolitical tensions, and trade disruptions, by providing greater flexibility under this facility.
- ▶ Furthermore, under the Customs Duties (Exemption) Order 2017 and the Sales Tax (Persons Exempted from Payment of Tax) Order 2018, there are certain reimportation facilities which are generally available for up to twelve (12) months.
- ▶ Impacted businesses should continue to proactively engage with the respective RMCD customs stations to ensure ongoing compliance with the conditions prescribed under the relevant reimportation facility.



3. Service Tax Guide on the Transmission and Distribution of Electricity Services dated 16 April 2026

RMCD issued the [Service Tax Guide on Transmission and Distribution of Electricity Services](#) (Electricity Services Guide) dated 16 April 2026, on the MySST Portal on 17 April 2026. This supersedes the previous guide dated 27 February 2024.

The salient updates in the Electricity Services Guide are as follows:

- ▶ Inclusion of new definitions such as Public Distribution Licence and Independent Power Producer (IPP).
- ▶ Clarification that the supply of electricity falls under the jurisdiction of the Ministry of Energy Transition and Water Transformation or *Kementerian Peralihan Tenaga dan Transformasi Air* (PETRA). PETRA was previously known as the Ministry of Energy, Green Technology and Water.
- ▶ Inclusion of an illustrative flow chart showing that the electricity supply chain involves three activities, namely generation, transmission and distribution, before electricity is supplied to commercial and domestic consumers.
- ▶ Explanation that a Public Distribution Licence holder (PDL holder) obtains electricity from the main supplier (such as Tenaga Nasional Berhad (TNB)) and is responsible for operating the distribution system, meter reading, and billing end users directly. The PDL holder does not carry out electricity generation activities.
- ▶ Amendment to FAQ No. 6 clarifies that the supply of solar-generated electricity to commercial users (instead of domestic users) is not a taxable service and therefore is not subject to service tax.
- ▶ Amendment to FAQ No. 7 clarifies that a joint management body (JMB) of a condominium that distributes electricity to domestic users is not treated a person providing transmission and distribution of electricity services under Item 9, Group I, First Schedule of the Service Tax Regulations 2018 (STR 2018). Accordingly, the JMB's supply of electricity to domestic users should not be subject to service tax. However, under the previous guide dated 27 February 2024, a JMB of a condominium that distributes electricity to domestic users was liable to register and account for service tax.
- ▶ Similarly, a new FAQ No. 8 clarifies that a company providing electric vehicle (EV) charging services is not subject to service tax on the EV charging service, as it is not treated as a person providing transmission and distribution of electricity services under Item 9, Group I, First Schedule of the STR 2018.
- ▶ Lastly, a new FAQ No. 11 clarifies that an IPP generating and supplying electricity to TNB via the National Grid System is not required to register for or charge service tax on the electricity sold to TNB, as electricity generation is not a taxable service under Item 9, Group I, First Schedule of the STR 2018.



Commentary

- ▶ The issuance of the Electricity Services Guide is a timely and necessary update, reflecting recent developments and emerging trends in the transmission of electricity services in Malaysia.
- ▶ A pertinent point to note is that, under the Electricity Services Guide, only a person providing transmission and distribution of electricity services is considered a taxable person under Item 9, Group I, First Schedule of the STR 2018. This is because service tax follows the principle that, for a prescribed taxable service to be liable to service tax, the person providing that service must first fall within the definition of a taxable person under the First Schedule of the STR 2018. Accordingly, a person that only distributes electricity is not required to register for service tax. In light of this, we recommend that affected taxpayers revisit their service tax position and, where applicable, seek deregistration from RMCD.
- ▶ The emphasis on IPPs in the Electricity Services Guide aligns with the Government's broader masterplans, such as the National Energy Transition Roadmap (NETR), MyDIGITAL, and the New Industrial Master Plan 2030 (NIMP 2030), which collectively support capacity expansion to meet rising electricity demand driven by the growth of data centres in Malaysia. The clarification on the service tax treatment for the generation of electricity by IPPs under the Electricity Services Guide provides greater certainty to companies that are currently operating or are in the process of operating such IPPs.
- ▶ Similarly, with the push for EV adoption under NETR, the update to the Electricity Services Guide benefits impacted stakeholders by providing greater clarity on the applicability of service tax in relation to EV usage.



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

RMCD issued Service Tax Policy No 1/2025 (Amendment No. 4) (SvTP 4/2025 (Amendment No. 4)) dated 1 April 2026, on the MySST Portal on 28 April 2026. This supersedes the previous SvTP 4/2025 (Amendment No. 3) dated 17 October 2025.

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

A. Introduction to new exemptions

Item no.	Exemption	Key Conditions
12	<p>Exemption from the payment of service tax in respect of the acquisition of brokerage services relating to the trading of shares</p> <ul style="list-style-type: none"> ▶ This Item is transferred from Service Tax Policy No. 3/2021 (SvTP 3/2021) dated 31 December 2021. ▶ This exemption shall take effect from 1 January 2022. 	<ul style="list-style-type: none"> a) The service provider is a registered person under the Service Tax Act 2018; and b) The exemption shall apply only to the trading of shares listed on Bursa Malaysia.
13	<p>Exemption from the payment of service tax on fees or commissions charged for services provided through a domestic commodity trading platform</p> <ul style="list-style-type: none"> ▶ This item is transferred from Service Tax Policy No. 8/2024 (SvTP 8/2024) dated 26 December 2024. ▶ This exemption shall take effect from 1 October 2024. ▶ Any service tax collected from customers up to 30 September 2024 shall be remitted to RMCD in accordance with section 26 of the Service Tax Act 2018. ▶ No refund of service tax shall be granted to any person who has paid service tax prior to 1 October 2024. ▶ RMCD shall be entitled to recover service tax from any service provider liable for registration under subsection 12(2) of the Service Tax Act 2018 who has not registered, or who, being registered, has failed to account for and remit the service tax in accordance with the applicable legislation. 	<ul style="list-style-type: none"> a) The service provider is a registered person under the Service Tax Act 2018; b) The recipient of the service is a financial service provider; and c) The fees or commissions borne by the service recipient are for the purpose of providing Islamic financial services to customers.

B. Amendments to existing exemptions

- ▶ Amendment to Item 5, whereby the service tax exemption on financial services acquired by registered persons (i.e., business-to-business (B2B) facilities) does not apply where such services are used to provide brokerage services that are exempt from service tax on stock trading under Item 12.

- ▶ Amendment to Item 6, whereby the service tax exemption on financial services acquired by registered financial service providers from persons outside Malaysia (imported services) does not apply where such services are used to provide brokerage services that are exempt from service tax on stock trading under Item 12.

Commentary

- ▶ The issuance of SvTP 1/2025 (Amendment No. 4) serves to streamline and consolidate the relevant service tax policies on exemptions for financial services (notably SvTP 3/2021 and SvTP 8/2024). In doing so, this effectively repeals SvTP 3/2021 and SvTP 8/2024.

5. Issuance of Service Tax Policy No. 1/2026 - Healthcare Management Services

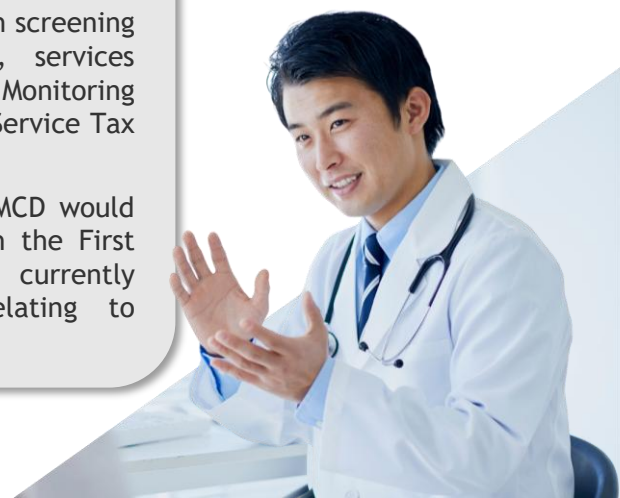
RMCD issued Service Tax Policy No 1/2026 (SvTP 1/2026) dated 4 May 2026, on the MySST Portal on 5 May 2026.

The salient updates under SvTP 1/2026 are as follows:

- ▶ Providers of health screening management services are required to register for service tax under the management services category by 30 April 2026, and to charge service tax on such services with effect from 1 May 2026.
- ▶ Recipients of health screening management services are exempt from paying service tax on such services for the period from 1 September 2018 to 30 April 2026, pursuant to subsection 34(3)(a) of the Services Tax Act 2018.
- ▶ Providers of health screening management services are exempt from charging and collecting service tax on such services for the period from 1 September 2018 to 30 April 2026, pursuant to subsection 34(4) of the Services Tax Act 2018.
- ▶ Any service tax collected from customers for the period from 1 September 2018 to 30 April 2026 must be remitted to RMCD in accordance with section 26 of the Services Tax Act 2018. No refund of service tax will be granted to any person who has paid the service tax.

Commentary

- ▶ The issuance of SvTP 1/2026 indicates that health screening management services are subject to service tax under the management services category with effect from 1 May 2026.
- ▶ However, we understand that this does not apply to health screening management services for non-citizen workers (e.g., services provided by the Foreign Workers Medical Examination Monitoring Agency (FOMEMA)), which are addressed under item 3 of Service Tax Policy No. 5/2025 (Amendment No. 2).
- ▶ Notwithstanding the above, further clarification from RMCD would be required to determine how SvTP 1/2026 aligns with the First Schedule of the Service Tax Regulations 2018, which currently exempts management and consultancy services relating to healthcare from service tax.



6. Service Tax Guide on Management Services dated 6 May 2026

RMCD issued the [Service Tax Guide on Management Services \(Management Services Guide\)](#) dated 6 May 2026, on the MySST Portal on 7 May 2026. This supersedes the previous guide dated 27 February 2024.

The salient updates in the Management Services Guide are as follows:

- ▶ Clarification that the service tax rate increase from 6% to 8%, effective 1 March 2024, applies to all taxable services except those specified in the First Schedule and Second Schedule of the Service Tax (Rate of Tax) Order 2018. The previous guide dated 27 February 2024 set out a list of taxable services that remained subject to the 6% rate or were charged at RM25 per annum (i.e., credit card or charge card).
- ▶ A new Example 10 clarifies that management charges and employee salary recharges billed by a property management company to a Joint Management Body (JMB) for strata residential building management services (e.g., a residential apartment) are subject to service tax.

Commentary

- ▶ The issuance of Management Services Guide is a timely and necessary update, reflecting recent legislative developments and emerging trends in relation to management services in Malaysia.
- ▶ With specific reference to JMBs, the Management Services Guide indicates that management services provided by a property management company to a JMB constitute a taxable service. Conversely, management services provided by a developer, JMB, management corporation or residential association in connection with land or buildings for residential use are not subject to service tax.



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 SST refunds from RMCD.

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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