

Malaysia Budget 2027

Highlights (Part 2)

A continuation of our Malaysia Budget Highlights outlining the additional key tax proposals in the Finance Bill 2026 and the Measures for the Collection, Administration and Enforcement of Tax Bill 2026.

November 2026

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Note: The graphics within this commentary are interactive. Please click on them to explore additional information and resources.

Corporate Tax



Review Withholding Tax on Real Estate Investment Trust (REIT) Distribution

- Investors of REITs will be subject to a final withholding tax on profit distributions as follows:
  i. 30% withholding tax for non-resident individuals and foreign institutional investors
  ii. 24% withholding tax for non-resident companies
- Investors which are resident individuals and companies are not subject to withholding, where the profit distributions received will be subject to tax based on their respective tax rates.
- Effective from YA 2027.

New Cost of Issuing New Shares

- No tax deduction is allowed for the expenses incurred by a company, in respect of any right granted to the employees to acquire new shares issued by the company.
- Subject to any rules as may be prescribed by the Ministry of Finance (MOF), no tax deduction is allowed for the payment made by a company to its holding company or subsidiary for new shares of the holding company or subsidiary issued to its employees.
- Effective from YA 2027.

New Restriction on Tax Deduction for Employment Expenses

- Tax deductions for employment expenses under Section 13(1)(a) of the Income Tax Act will only be allowed for payments to the employees through an account opened by a financial institution.
- The above restriction is not applicable to a micro enterprise or a small and medium enterprise (MSME), as determined by the National Small and Medium Enterprises Development Council under the Small and Medium Enterprises Corporation Malaysia Act 1995.
- Effective from YA 2028.

New Unilateral Tax Credit

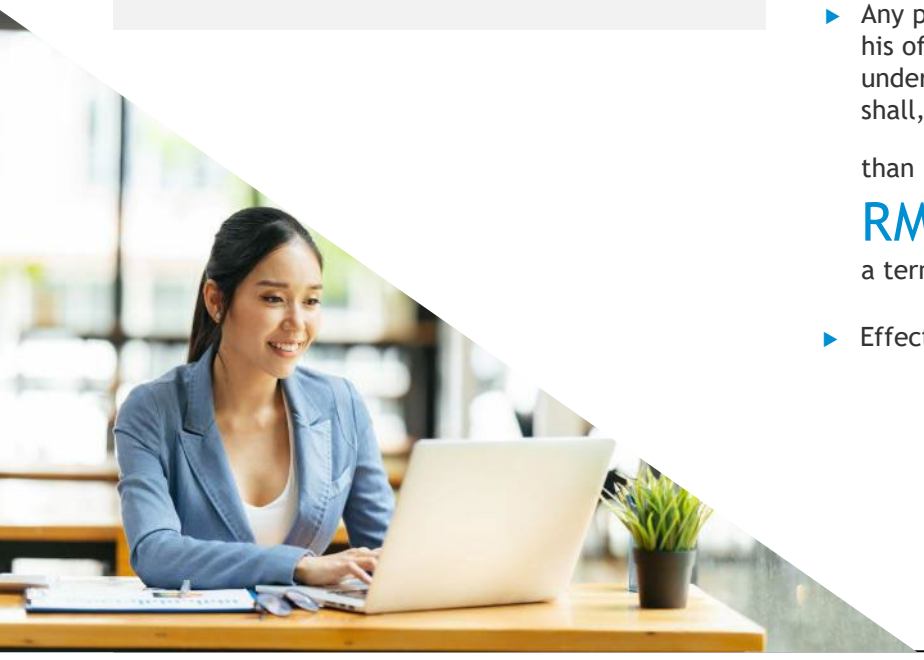
- Unilateral tax credit is extended to foreign tax suffered in countries with a limited double taxation agreement with Malaysia.
- Effective from YA 2027.

Corporate Tax

New Relief for Error or Mistake for Labuan Entities

- A relief is to be given to Labuan entities in respect of an excessive assessment arising from an error or mistake in a return or statement furnished to the Inland Revenue Board of Malaysia (IRBM).
- The application for relief shall be made within 5 years after the end of the YA within which the assessment was made.
- The relief is not applicable in respect of an error or mistake where the return or statement furnished was prepared in accordance with the prevailing practice of IRBM at the time the return or statement was made.
- Where the Labuan entity does not agree with IRBM's decision with regards to the relief application, the Labuan entity may, within 6 months from being informed of the decision, request for the matter to be referred to the Special Commissioners of Income Tax.
- Effective date: 1 January 2027.

The proposal aims to reinforce Labuan's **tax governance**.



New Clarification on the Meaning of 'Control' under the Labuan Business Activity Tax Act 1990 (LBATA)

- Currently, transactions between associated person(s) are construed under Section 17D(4) of LBATA as a transaction between:
  - persons one of whom has control over the other; or
  - persons both of whom are controlled by a third person.
- It is proposed that the definition of 'control' is broadened and amended by:
  - aligning it with Section 17C(6)(a) of the LBATA, which provides that control has the same meaning as Section 139 of the Income Tax Act; and
  - expressly providing that two persons may be treated as being under common 'control' where there is at least a 20% shareholding connection between them, either directly or indirectly, subject to the relevant conditions.
- Effective date: 1 January 2027.

New Offense Provision under LBATA

- Any person who obstructs the Director General or his officers in exercising his functions as provided under LBATA shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM20,000 and not exceeding RM1,000,000 or to imprisonment for a term not exceeding two years or to both.
- Effective date: 1 January 2027.

Corporate Tax

New Determination of Qualifying Plant Expenditure for a Labuan Company which opts to be Taxed under the Income Tax Act

- For machinery or plant use by a Labuan company in a business which income was subject to tax under the LBATA and subsequently brought into use for a business which income is subject to tax under the Income Tax Act due to an election made by the Labuan company under Section 3B of LBATA to be taxed under the Income Tax Act, the amount of qualifying plant expenditure under the Income Tax Act is determined based on the lower of:

  i. the market value; or
  ii. the net book value,

  of the machinery or plant on the day the election under Section 3B of LBATA was made.

- Effective from YA 2027.



New Remission of Penalty for Amended Return

- Currently, an amended return furnished under Section 77B of the Income Tax Act which results in tax payable or additional tax payable is subject to a penalty of 10%.
- A new provision is proposed to allow the Director General of Inland Revenue (DGIR), in his discretion for any good cause shown, to remit the whole or any part of the penalty.
- Effective date: 1 January 2027.

New Penalty for Failure to Comply with Exchange of Information and Country-by-Country Reporting (CbCR) Rules

- A new provision is proposed to empower the DGIR to impose a penalty of not less than RM20,000 and not more than RM100,000, if no prosecution is instituted, for non-compliance with the income tax rules on automatic exchange of information and the furnishing of a country-by-country report.
- Effective date: 1 January 2027.

Personal Tax



Review Medical Expenses for Parents or Grandparents

- Tax relief of up to **RM8,000** on expenses incurred for the care of parents and grandparents at home, day care centres and residential care centres will be expanded to cover all types of care expenses and not limited to medical care without requiring verification from a registered medical practitioner.
- Effective from YA 2027.

This measure aims to **provide comprehensive support** for elderly care.

Review Expansion of Tax Relief for Medical Treatment

- Tax relief of up to **RM10,000** on medical treatment expenses to be expanded to include:
  - i) Postnatal care service expenses, paid by the husband for his wife or by the wife for herself, limited to **RM3,000**
  - ii) The purchase of breastfeeding equipment, paid for his wife or by the wife for herself, used for the individual's child aged two years and below, limited to **RM1,000**
- Effective from YA 2027.

This measure is designed to **support the national health aspiration** towards family well-being, particularly for mothers.

Personal Tax

Review Tax Relief for Education and Skills Training Fee

- Scope of relief for Education and Skills Training fee (up to **RM7,000**) to be restructured to include the following courses or fields of study:
  - i) Any recognised courses from Certificate to PhD level in any field;
  - ii) Any recognised Technical and Vocational Education and Training (TVET) for purpose of upskilling or self-enhancement, limited to **RM3,000**, and
  - i) Any courses, training, classes or tuition unrelated to employment for self, spouse or children (in fields of science, technology, engineering, mathematics, arts, languages or religion), limited to **RM2,000**.
- Effective from YA 2027.

This proposal aims to encourage the *rakyat* to attain **better education levels** and upskill.

Review Expansion of Lifestyle Relief

- Tax relief of up to **RM2,500** to be expanded to include:
  - i) Artificial intelligence (AI) software and application subscription.
  - ii) Pet adoption fees from recognised animal shelters and pet vaccination.
- Effective from YA 2027.

This initiative intends to **foster digital literacy** and adoption of AI, as well as promote compassion towards animals.



Indirect Tax



Review

Declaration of Goods to the Royal Malaysian Customs Department (RMCD) by Person Arriving in Malaysia or Intending to Leave Malaysia

- Subsection 103(1) of the Customs Act currently states that every passenger or other person arriving in or leaving Malaysia shall declare to the proper customs officer all dutiable or prohibited goods in their possession, whether on person, in any baggage or in any vehicle. Failure to do so will result in such goods being deemed to be **uncustomed goods**.
- Similarly, subsection 42A(1) of the Excise Act currently states that every passenger or other person arriving in Malaysia shall declare to the proper customs officer all dutiable goods in their possession, whether on person, in any baggage or in any vehicle. Failure to do so will result in such goods being deemed to be **unexcisable goods**.
- Moving forward, every person arriving in or intending to leave Malaysia is required to declare any goods in their possession in the manner determined by MOF.
- Effective date: 1 January 2027.

The amendment aims to **strengthen customs control** over goods brought into or taken out of Malaysia through any entry or exit point.

New

Use of Electronic Service by RMCD under the Customs Act and Excise Act

- Section 145E of the Customs Act and section 44AC of the Excise Act are introduced to empower the Director General of RMCD 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.
- Effective date: 1 January 2027.

These new sections aim to facilitate the procedures for the movement of any person carrying any goods through a **process of declaration that is more efficient**.

Stamp Duty



Review

Restructuring of the First Schedule to the Stamp Act, 1949

- The First Schedule to the Stamp Act would be substituted and reorganised into the following five parts:
  - i) conveyance, assignment, transfer, absolute bill of sale, contract note, release or renunciation;
  - ii) charge, mortgage and other instruments by way of security;
  - iii) bond, covenant, loan, services, lease of movable property, license agreement and other instruments;
  - iv) lease or agreement for lease of immovable property; and
  - v) miscellaneous instruments.

- The revised First Schedule would also set out the applicable stamp duty and the person liable to pay the duty for each category of instrument. The Third Schedule will be deleted, and the relevant statutory cross-references will be updated.

- The principal stamp duty rates are generally retained but will be expressed as percentages instead of an amount for every **RM100** or **RM1,000**, or fractional part thereof. Accordingly, the dutiable amount will generally no longer be rounded up to the next RM100 or RM1,000, subject to the RM10 minimum duty under Section 36CB.

- The revised First Schedule also introduces certain substantive changes, including a flat **0.5%** duty on further money added to an existing charge or mortgage, and exemptions for securities relating to higher-education loans and administration bonds. Section 12A will refer to the rates in Part I, Item 1, so the market-value date rules will apply to sales, gifts, settlements, trusts and exchanges of real property.

- Effective date: 1 July 2027.

The restructuring is intended to simplify and **facilitate the classification of instruments**, determination of the applicable stamp duty and identification of the person liable to pay the duty. Businesses should undertake an organisation-wide stamp duty review, update their internal stamp duty compliance processes and document-review procedures to reflect the revised item references before 1 July 2027.

Stamp Duty

Review

Foreign Buyer Rates for Gifts, Settlements, Trusts and Exchanges

- The revised First Schedule will expressly apply the following rates to transfers to a foreign company or a person who is neither a Malaysian citizen nor a permanent resident:
  - 4% for non-residential property;
  - 4% for residential property implementing a sale and purchase agreement executed before 1 January 2026;
  - 8% for residential property implementing a sale and purchase agreement executed from 1 January 2026;
  - 4% for residential property transferred otherwise than by sale before 1 January 2026; and
  - 8% for residential property transferred otherwise than by sale from 1 January 2026.
- The rates will be stated expressly for sales, gifts, settlements, trusts and exchanges of real property. The same rates are also set out for annuities (Part I, Item 2) and for powers of attorney conveying real property (Part I, Item 7).
- A policy of life insurance transferred to a foreign transferee, other than by gift or trust, will be subject to a flat 4% duty on the consideration or the value of the sum insured, whichever is greater.
- Effective date: For instruments executed from 1 July 2027.

The revised First Schedule **clarifies the foreign-transferee rates** applicable to these instruments.

New

Expansion of the Definition of 'Foreign Company'

- A new definition of 'foreign company' will be introduced under the Stamp Act to include:
  - i) A foreign company as defined in the Companies Act 2016 (broadly, a company incorporated outside Malaysia)
  - ii) A Malaysian company where non-citizens or foreign companies, directly or indirectly:
    - own 50% or more of its issued share capital;
    - can exercise 50% or more of the voting shares; or
    - control its affairs or management, or the composition of its board of directors.
- The definition of assessment and permanent resident will also be introduced.
- Effective date: 1 January 2027.

A Malaysian-incorporated company **may be treated as a foreign company for stamp duty purposes** based on its ownership, voting rights or control. Companies with foreign ownership or control should assess their status before entering into transactions for which a different stamp duty treatment applies to a foreign company. As the definition applies from 1 January 2027, six months before the revised First Schedule, a foreign-controlled Malaysian company may be charged the existing 4% and 8% rates under Items 32(aa) and 32(ab) from that date. The test refers to a non-citizen and does not expressly exclude permanent residents.

Stamp Duty

Review Stamp Duty Relief for Reconstructions and Transfers Between Associated Companies

- The references in Sections 15 and 15A of the Stamp Act will be updated to Part I, Item 1(a)(i) for transfers of property and Part I, Item 3(a) for transfers of shares.
- In view of the expanded definition of foreign company, a transfer of property to a foreign-controlled Malaysian-incorporated company may potentially fall under Part I, Item 1(a)(ii), rather than Item 1(a)(i), and may therefore not qualify for relief under Sections 15 or 15A.
- Transfers of shares under Part I, Item 3(a) should not be similarly affected.
- Effective date: 1 July 2027.

Foreign-owned groups should **review the availability of relief** before undertaking a reconstruction or intra-group property transfer.

New Amendment of Stamp Duty Returns

- A person who has furnished a stamp duty return may electronically submit an amended return in respect of:
  - the description or particulars of an instrument that do not affect its stamp duty liability; or
  - facts and circumstances that affect the instrument's stamp duty liability.
- An amendment that does not affect duty may be made at any time but will not extend the statutory stamping period.
- An amendment that affects duty must be made within 30 days from the date the original return was furnished and before the duty under the assessment is paid.
- An amendment may only be made once in respect of an instrument and is subject to the Collector's approval.
- The amended return must, as applicable, contain the amended particulars, the proper duty and the duty previously stated, the necessary supporting evidence and any further particulars required by the Collector.
- Effective date: 1 January 2027.

Duty payers should **review the return carefully** before submitting and paying the assessed duty, as an amendment affecting duty must be made within 30 days and only one amendment is permitted per instrument.

New Filing Treatment for Exempt Instruments

- Subject to the exceptions prescribed under the Stamp Act, a person other than an authorised person under Section 9 will generally be required to furnish electronically the prescribed return together with an instrument appearing under the General Exemptions in the First Schedule.
- The Collector will verify whether the General Exemption instrument is duly exempt and not chargeable with duty. Certification by indorsement will also apply to such an instrument.
- By contrast, a return will not be required for instruments falling under specified Item-level Exemption headings in the revised First Schedule. These include, among others, qualifying employment agreements where wages do not exceed RM3,000 per month, securities relating to higher-education loans, bonds on obtaining letters of administration, certain agricultural leases, life policies with a sum insured not exceeding RM5,000 and proxy powers of attorney.

Stamp Duty

- Effective date:
  - Certification by indorsement: 1 January 2027.
  - Electronic furnishing and verification of General Exemption instruments, and the exception for specified Item-level exemptions: 1 July 2027.

An instrument falling under the General Exemptions may still need to be furnished to IRBM for verification. **Duty payers should not treat an exempt instrument as automatically being outside the filing process.**

New Administrative Rules for Stamp Duty Self-Assessment

- Where two or more assessments have been made in respect of the same instrument, the Collector may discharge the relevant assessment to ensure that the proper amount of duty is charged.
- Notices may be served personally, by ordinary or registered post, or electronically. An electronic notice will be deemed served when the designated information processing system generates a report confirming delivery.
- An assessment, notice or other document will not be invalid merely because of a mistake, defect, omission or want of form where it is substantially in conformity with the intent and meaning of the Stamp Act. Certain mistakes relating to the liable person, the instrument, the consideration or value, or the amount of duty will also not invalidate the assessment.
- Where duty has been incorrectly calculated by reference to the chargeable amount and the applicable rate, the Collector may direct that the correctly calculated amount be treated as the amount assessed.
- Electronic applications will be expanded to cover specified refunds, extensions of time to pay duty, remission of penalties, a replicate of an instrument and indorsement of the replicate, and discharge of an assessment.
- Effective date: 1 January 2027.

Duty payers should **monitor registered electronic notices promptly**, as certain deadlines may commence upon deemed service, while the Section 38A objection period runs from the assessment date.

Review Stamp Duty Deadlines Expressed in Days and Other Technical Amendments

- The lower late-stamping penalty of **RM50** or **10%** of the deficient duty, whichever is higher, will apply where an instrument is stamped within 90 days after the stamping deadline, instead of within three months.
- The period for applying for relief where an instrument of transfer is rejected by the Registrar of Titles will be 60 days from the date of rejection, instead of two months.
- Section 4A(2) will refer to an instrument being duly stamped, reflecting the current electronic stamping practice.
- The outdated reference in Section 7(1) will be corrected, and the words warrant of attorney will be deleted from Section 22.
- Effective date: 1 January 2027.

Duty payers should **update their deadline controls**, as 90 and 60 days may not correspond exactly to three and two calendar months.

Real Property Gains Tax (RPGT)



New Remission of 10% Increased Sum on Amended RPGT Returns

- Where the tax or additional tax payable under an amended RPGT return is increased by 10% under subsection 13A(4) of the Real Property Gains Tax Act 1976, the DGIR may, at his discretion and for any good cause shown, remit the whole or any part of the increased sum.
- Where the amount remitted has already been paid, the DGIR shall repay the amount remitted.
- Effective date: 1 January 2027.

The remission provides relief at the DGIR's discretion where the person who furnished the amended return **shows good cause** for the remission of the increased sum.

New Treatment of RPGT Return as Notification of Excess Tax Paid

- Where a person has furnished an RPGT return for a YA and paid tax exceeding the amount payable:
  - the return will be deemed to constitute the DGIR's notification of the excess amount; and
  - the person will be deemed to have been notified of the excess amount on the date the return is furnished.
- Effective from YA 2027, generally for disposals taking place on or after 1 January 2027.

This **facilitates repayment** where the amount retained and remitted by the acquirer under Section 21B exceeds the final RPGT payable.

New Power to Require Information to be Given Orally

- The DGIR may require any person to give information orally in relation to a return made or required to be made under the RPGT Act, in addition to the existing power to require information by notice in writing.
- Effective date: 1 January 2027.

Disposers and their representatives should **ensure that information provided during an oral enquiry is accurate and consistent** with the RPGT return, the disposal documentation and the supporting tax computation.

Real Property Gains Tax (RPGT)

Review

Confidentiality Obligations for Former IRBM Personnel and Other Technical Amendments

- The definition of 'classified person' under subsection 47(5) will be amended so that officials and employees of IRBM remain subject to the statutory secrecy obligations during and after their employment.
- The definition of 'chargeable person' will be deleted from the English text of subsection 2(1).
- The warrant requirement under subsection 46(1) will be amended to cover all rights conferred on the relevant official under Section 28, including access, inspection, copying, search and taking possession.
- Effective date: 1 January 2027.

The amendment **extends the statutory duty to preserve confidentiality** so that it continues even after the relevant official or employee has left IRBM.

Review

Electronic Service of RPGT Notices

- A notice relating to tax may be served personally, by ordinary post, by registered post, through an electronic medium or by way of electronic transmission.
- An electronic notice will be deemed served when the designated information processing system determined by the DGIR generates a report confirming delivery.
- Effective date: 1 January 2027.

Taxpayers should **keep their electronic contact details current** and monitor IRBM portal regularly for notices and deadlines.



Capital Gains Tax (CGT)



New — Remission of 10% Increased Sum on Amended CGT Returns

- Where tax or additional tax payable under an amended return (including an amended return for a disposal of capital assets furnished under subsection 77A(1B)) is increased by 10% under subsection 77B(4) of the Income Tax Act 1967, the DGIR may, at his discretion and for any good cause shown, remit the whole or any part of the increased sum.
- Where the amount remitted has already been paid, the DGIR shall repay that amount.
- Effective date: 1 January 2027.

The remission **provides relief at the DGIR's discretion** where the person who furnished the amended return shows good cause for remission of the increased sum.

Review — Unilateral Relief for Foreign Capital Gains

- Unilateral relief under Section 133 of the Income Tax Act 1967 will be available where foreign tax is payable in respect of income derived from outside Malaysia, including foreign capital gains, and a double taxation agreement is in force but does not provide relief for that foreign tax.
- The corresponding definition of 'unilateral credit' in Schedule 7 will be amended to cover credit granted under Section 133 in these circumstances.
- The existing limits in Schedule 7 continue to apply. The credit cannot exceed half of the foreign tax (paragraph 14) or the Malaysian tax attributable to the foreign income (paragraphs 5 and 6). Only a person resident in Malaysia for the basis year may claim (paragraph 2), and the claim must be made within two years after the end of the YA (paragraph 9).
- Effective from YA 2027 onwards.

This may **reduce double taxation where foreign capital gains are taxed overseas,** but the applicable double taxation agreement does not provide relief. This is mainly relevant where the foreign capital gains do not qualify for the exemption for foreign-sourced income received in Malaysia.

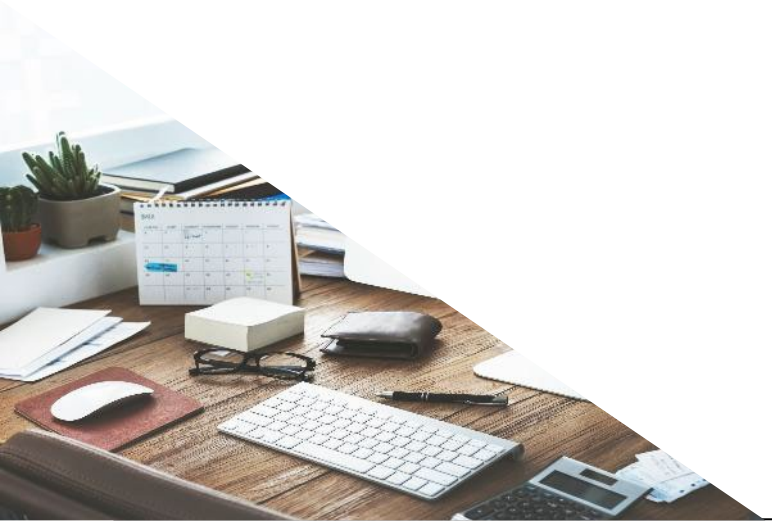
Capital Gains Tax (CGT)

Review

Clarification of Control through Direct or Indirect Shareholdings

- Subsection 140A(5A) of the Income Tax Act 1967 will be amended to clarify that a person may control another person through direct or indirect ownership of shares. The existing 20% share capital threshold and the conditions in paragraphs (a) to (c) of subsection 140A(5A) continue to apply, namely dependence on proprietary rights provided by the other person or a third person, business activities specified by the other person with prices or other conditions influenced by that person or a third person, or the appointment of directors by the other person or a third person.
- Control may also arise where a third person owns shares directly or indirectly in both persons.
- The amendment is relevant to associated-person transactions, including intra-group disposals of capital assets subject to transfer pricing requirements.
- Effective date: 1 January 2027.

Groups should consider **indirect shareholdings** when assessing whether a capital asset disposal is between associated persons.



Review

Expansion of Confidentiality Obligations to Former IRBM Personnel

- The definition of 'classified person' under subsection 138(5) of the Income Tax Act will be amended so that officials and employees of IRBM remain subject to the statutory secrecy obligations during and after their employment.
- Effective date: 1 January 2027.

The amendment **extends the statutory duty to preserve confidentiality** so that it continues even after the relevant official or employee has left IRBM.

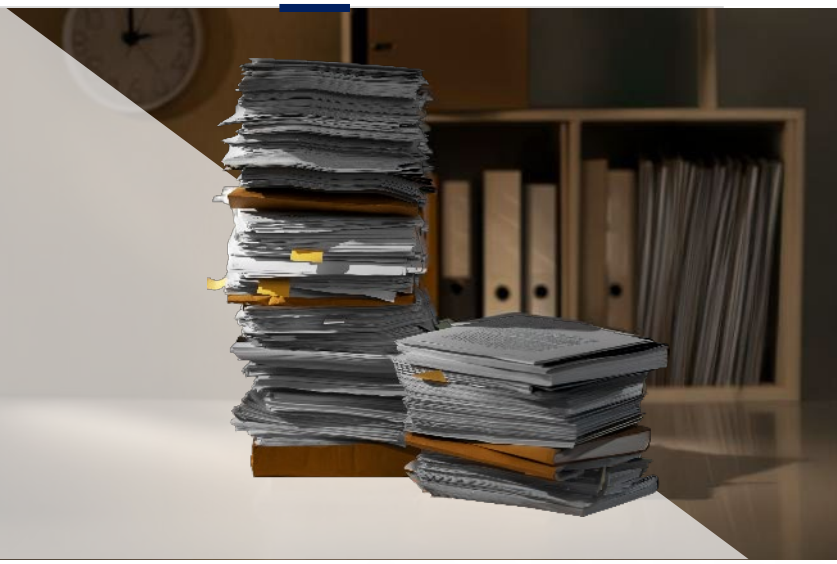
Review

Electronic Service of CGT Notices

- A notice relating to tax may be served personally, by ordinary post, by registered post, through an electronic medium, or by way of electronic transmission.
- An electronic notice, including a notice to a partnership, will be deemed served when the designated information processing system determined by the DGIR generates a report confirming delivery.
- Effective date: 1 January 2027.

Taxpayers should **keep their electronic contact details current** and monitor the IRBM portal regularly for notices and deadlines. Periods that run from service, such as the 30-day period for appealing against a notice of assessment, may start on the deemed service date.

Transfer Pricing & Global Minimum Tax (Pillar Two)



Extension

Expansion of Control Test under Transfer Pricing Provisions

- Currently, subsection 140A(5A) of the Income Tax Act provides that two persons shall be regarded as associated persons where there is shareholding of between 20% and 50%, together with at least one form of influence, such as:

  a) The operations of one person depend on the proprietary rights, such as patents, non-patented technological know-how, trademarks or copyrights, provided by the other person or a third person;
  b) The business activities, such as purchases, sales, receipt of services, provision of services, pricing or other conditions, are influenced by the other person or a third person; or
  c) One or more of the directors or members of the board of directors of one person are appointed by the other person or a third person.

- It is proposed that subsection 140A(5A) of the Income Tax Act be amended to clarify that the relevant shareholding may be held directly or indirectly.

- Accordingly, in determining whether the shareholding threshold under subsection 140A(5A) of the Income Tax Act is met, indirect shareholdings through intermediate entities would also be taken into account. The amendment made to subsection 140A(5A) of the Income Tax Act clarifies that a person shall be taken to have control over another person when he holds ownership of shares of the other person directly or indirectly, or a third person who owns shares of both persons directly or indirectly.

- Effective date: 1 January 2027.

Accordingly, in determining whether the shareholding threshold under subsection 140A(5A) is met, **indirect shareholdings** through intermediate entities such as associate or joint venture **would also be taken into account.**

Transfer Pricing & Global Minimum Tax (Pillar Two)

Review

Accounting Period of Constituent Entity for the Purposes of Determining Domestic Top-up Tax

- For the purpose of determining Domestic Top-up Tax, subsection 164(2) of the Income Tax Act sets out the accounting period of financial statements of Constituent Entities in Malaysia to be used in determining the Domestic Top-up Tax. The current clause states that the financial statements of the Constituent Entities in Malaysia must have the same financial year as the Ultimate Parent Entity of the Multinational Enterprise Group.
- There are two proposed amendments made to such subsection, which are:

  a) It is proposed that the subsection (2) be replaced to give effect that the financial statements of the Constituent Entities in Malaysia can be used where the accounting periods covered by the financial statements are within the accounting period used by the Ultimate Parent Entity in preparing the Ultimate Parent Entity's Consolidated Financial Statements.

  b) A new subsection 164(3A) has been introduced to clarify the above requirement will not apply where the accounting period of a Constituent Entity differs from the accounting period used for that Constituent Entity in the Consolidated Financial Statements due to the Constituent Entity:

     i) Becoming a Constituent Entity of the Ultimate Parent Entity; or

     ii) Ceasing to be a Constituent Entity of the Ultimate Parent Entity,

     during the relevant accounting period or the immediately preceding accounting period as a result of an acquisition, disposition, dissolution, merger or similar restructuring, including establishment of a Permanent Establishment.

- Effective date: Deemed to have effect for Financial Years beginning on or after 1 January 2025.

The proposed amendments take into account **practical situations** where the accounting period of a Constituent Entity differs from the accounting period used by the Ultimate Parent Entity in preparing the Group's Consolidated Financial Statements.



Transfer Pricing & Global Minimum Tax (Pillar Two)

Review

Application of Global Minimum Tax Provisions to Joint Ventures

- A new subsection 187(2A) of Income Tax Act has been proposed to clarify that certain provisions under Part XI of the Income Tax Act 1967 or applicable to a Joint Venture and its Joint Venture Subsidiaries, as if the Joint Venture and Joint Venture Subsidiaries were Constituent Entities.
- The relevant provisions include:
  a) subsections 158(1) and 159(1) of Income Tax Act; and
  b) Chapters 11 to 19 of Part XI of Income Tax Act, except for sections 201, 224 and 226 of Income Tax Act.
- Effective date: Deemed to have effect for Financial Years beginning on or after 1 January 2025.

The proposed amendment **clarifies the application of the Global Minimum Tax provisions** to Joint Ventures and Joint Venture Subsidiaries by treating them as Constituent Entities for the purposes of the specified provisions under Part XI of the Income Tax Act 1967.

New

Top-up Tax Return Filing Deadline for Constituent Entities of Multiple Multinational Enterprise (MNE) Groups

- Currently, section 202(1) of the Income Tax Act requires a Constituent Entity to furnish a Top-up Tax return for a Financial Year within the prescribed timeframe.
- It is proposed that a new subsection 202(1A) be introduced to prescribe the filing deadline where a Constituent Entity is a member of two or more MNE Groups in a Financial Year.
- In such circumstances, the Constituent Entity is required to furnish its Top-up Tax return:
  a) Where the MNE Groups have the same Financial Year, not later than 15 months from the last day of that Financial Year; or
  b) Where the MNE Groups have different Financial Years, not later than 15 months after the last day of the later Financial Year.
- Effective date: 1 January 2027.

The proposed amendment provides a **specific filing timeline** for a Constituent Entity that belongs to two or more Multinational Enterprise Groups.

Where the relevant MNE Groups have different Financial Years, the 15-month filing period is determined by reference to the later Financial Year.

e-Invoicing



Review

Self-billed Invoice for Electronic Commerce Platform Providers

- An amendment has been made to paragraph 82C(6)(b) of the Income Tax Act and 22DA(6)(b) of the LBATA to require electronic commerce platform providers, **whether in Malaysia or outside Malaysia,** in respect of any goods sold or services performed by any other person to issue a self-billed invoice in accordance with the conditions as may be imposed by the DGIR.

- Effective date: 1 January 2027.

The amendment intends to clarify that the obligation to issue self-billed e-Invoice **applies to an electronic commerce platform provider**, whether it is operating in or outside Malaysia.

Glossary of Acronyms

CbCR	Country-by-Country Reporting
CGT	Capital Gains Tax
DGIR	Director General of Inland Revenue
Income Tax Act	Income Tax Act, 1967
IRBM	Inland Revenue Board, Malaysia
LBATA	Labuan Business Activity Tax Act, 1990
MSMEs	Micro, small and medium enterprises
MNE	Multinational Enterprise
MOF	Ministry of Finance
REIT	Real Estate Investment Trust
RPGT Act	Real Property Gains Tax Act, 1976
RPGT	Real Property Gains Tax
RM	Ringgit Malaysia
RMCD	Royal Malaysian Customs Department
Stamp Act	Stamp Act, 1949
TP	Transfer pricing
TVET	Technical and Vocational Education and Training
YA	Year of Assessment

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