



# Tax in Motion



# Issue 5-2025

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- Early availability of the e-Duti Setem system
- Remission of stamp duty penalties for the first year of Stamp Duty Self-Assessment System
- e-Invoice Compliance Review Framework
- Guidelines on Tax Corporate Governance Framework
- Tax remission on government guarantee loan instruments
- Public Ruling: Taxation of resident individuals



# Early availability of the e-Duti Setem system

The Inland Revenue Board (IRB) has issued a press release dated 17 December 2025 on the early availability of the e-Duti Setem system.

The press release is available on IRB's website [hasil.gov.my](https://hasil.gov.my) (Homepage > Media Release).

- In line with the phased implementation of SAS from 1 January 2026, the e-Duti Setem system is now made available to facilitate the transition from the STAMPS system.
- The e-Duti Setem system is available on the MyTax portal and users may log in using the individual MyTax ID and password.
- This provides an opportunity for stamp duty payers and appointed agents to conduct testing and preparations before the existing STAMPS system is terminated on 31 December 2025.



# Remission of stamp duty penalties for the first year of Stamp Duty Self-Assessment System

To facilitate the transition to the Stamp Duty Self-Assessment System (hereinafter “SDSAS”) and to encourage voluntary compliance, the IRB has issued a media release on 21 December 2025 announcing a one-year concession on stamp duty penalties in conjunction with Phase 1 of SDSAS, which will commence on 1 January 2026.



This concession was previously shared by IRB during the Seminar Percukaian Kebangsaan 2025 (Belanjawan 2026). Salient points from the media release are:

## **No stamp duty penalties for incorrect returns in 2026**

For instruments stamped under SDSAS, no penalty will be imposed for making an incorrect Stamp Duty Return Form or submission of incorrect information in relation to any matter affecting chargeability to duty.

This concession applies to stamping applications submitted from 1 January 2026 to 31 December 2026.

## **Coverage of audit findings under section 72D(2) of the Stamp Act 1949**

The concession also applies to any offences for incorrect stamp duty return or submission of incorrect information under section 72D(2) identified through audit findings during the concession period. In such cases, where no court prosecution is taken, the Collector could impose an administrative penalty equal to the amount of duty understated or omitted because of an incorrect return or incorrect information.

The press release is available on IRB’s website [hasil.gov.my](https://hasil.gov.my) (Homepage > Media Release).

# e-Invoice Compliance Review Framework

The IRB has introduced the e-Invoice Compliance Review Framework (“e-Invoice Framework”) which is effective from 15 December 2025. The objective of the compliance review is to ensure taxpayer compliance with tax law provisions relating to the implementation of e-Invoices in Malaysia.

The e-Invoice Framework is available on IRB’s website [hasil.gov.my](https://hasil.gov.my) (Legislation > Framework).

The following are the salient points from the e-Invoice Framework:

Item	Salient points
<b>Review method</b>	<p>The review will be a comprehensive review (general review is not applicable for e-invoice compliance review). The review will be carried out at the taxpayer’s premises or another agreed location.</p> <p>Documents that will be reviewed include:</p> <ul style="list-style-type: none"><li>• sales invoices, sales receipts and sales-related documents,</li><li>• purchase invoices, order forms and purchase-related documents,</li><li>• records relating to the issuance of debit notes, credit notes and refund notes, and</li><li>• any other invoices.</li></ul> <p>Where the documents are incomplete, the review may extend to a review of non-business records such as personal bank statements and asset ownership.</p>
<b>Period covered and case selection</b>	<p>The review may cover e-Invoice compliance under the Income Tax Act 1967 (ITA 1967) and Petroleum Income Tax Act 1967 (PITA 1967) for up to two years of assessment (YA). However, prosecution may still be instituted at any time up to 12 years from the year in which the offence occurred.</p> <p>Cases are selected using risk-based analytics and multiple information sources that may evolve over time.</p>



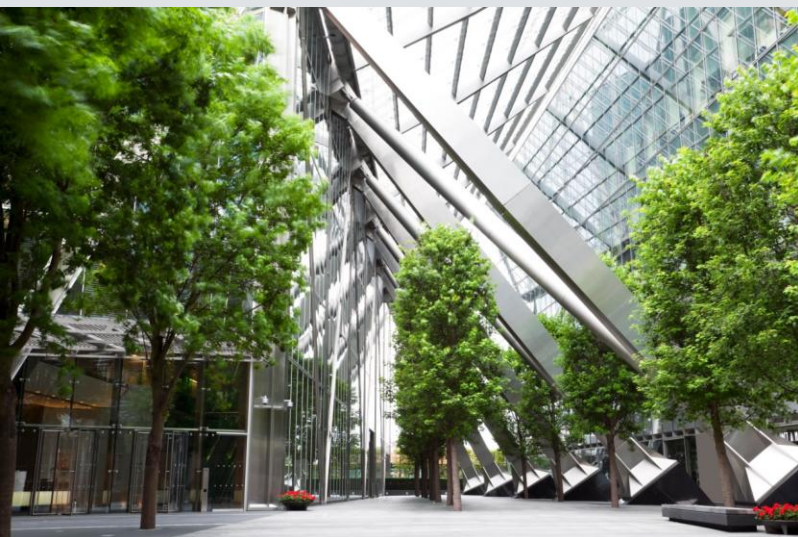
Item	Salient points
<b>Preliminary actions</b>	<ul style="list-style-type: none"> <li>• IRB will issue a letter on the compliance review visit at least 14 calendar days prior to the date of visit.</li> <li>• The taxpayer may apply to postpone the compliance review visit if there is a reasonable and unavoidable reason.</li> <li>• Where documents relating to business transactions in Malaysia are kept overseas, it is the taxpayer's responsibility to make these documents available at the taxpayer's premises for the review before it is carried out.</li> </ul>
<b>Duration of IRB visit and timeline to complete the review</b>	<p>The on-site compliance review will be for 1-3 days but may be extended based on the following factors:</p> <ul style="list-style-type: none"> <li>• The size and complexity of business transactions carried out,</li> <li>• The form in which records are kept, or</li> <li>• The extent of cooperation from the taxpayer</li> </ul> <p>The compliance review must be completed within 90 days from the commencement of the review visit.</p>
<b>Review findings</b>	<p>The review findings will be categorized into:</p> <ul style="list-style-type: none"> <li>• Compliant taxpayer,</li> <li>• Non-compliant taxpayer, or</li> <li>• Exempted taxpayer.</li> </ul>

Item	Salient points
<b>Objection / appeal</b>	<ul style="list-style-type: none"> <li>• If the taxpayer is not satisfied with the review findings, a formal objection should be submitted within 18 calendar days from the date of the review findings letter, together with supporting documents.</li> <li>• Absent of objection, taxpayer's agreement with the finding is presumed.</li> <li>• If the taxpayer is not satisfied with the review findings, the taxpayer can appeal to the Klang Valley Legal Branch or the State IRB Legal Section.</li> </ul>
<b>Voluntary disclosure</b>	<ul style="list-style-type: none"> <li>• The taxpayer may make a voluntary disclosure, prior to the commencement of the review, in writing by letter or electronic medium to the relevant e-Invoice division State Operation Director and the Employer Audit / Special Branch Director.</li> <li>• Voluntary disclosures will be rejected if there are no valid reasons for the failure to provide the required information.</li> <li>• If the submitted information is incomplete, further requests for information will be made, or a review will be conducted on the taxpayer.</li> </ul>
<b>Penalties</b>	<ul style="list-style-type: none"> <li>• The Framework states that penalties are applicable for each transaction.</li> <li>• The penalties generally range from a fine of RM200 to RM20,000 or six months imprisonment (a fine of RM300 to RM10,000 or imprisonment of one year in the case of failure to issue serially numbered receipts for businesses with annual gross takings exceeding RM150,000 for product sales, or RM100,000 for services provided), or both fine and imprisonment.</li> </ul>

# Guidelines on Tax Corporate Governance Framework

The IRB has, on 16 December 2025, issued the updated Guidelines on Tax Corporate Governance Framework (“TCGF Guideline”) dated 1 December 2025. This replaces the previous version dated 13 March 2025.

The TCGF Guideline is available on the IRB’s website [hasil.gov.my](https://hasil.gov.my) (Legislation > Framework).



## **TCG Programme Timeframe**

The proposed time frame is now 6 (previously 8) to 12 months from the IRB’s acceptance of the participant to the award of participation status, with a potential extension subject to IRB approval.

## **Independent Review Report (IRR)**

- The IRR is required to be prepared only at the application stage and is no longer required to be updated annually.
- Participants are no longer required to prepare the IRR at least six months after their financial year end during monitoring phase; instead, they are required to inform IRB of any changes to the tax governance and internal control framework, including tax matters, to ensure continued effectiveness.

## **Monitoring phase**

Instead of an annual review, the monitoring of participant’s disclosures and tax outcomes will be through an annual risk assessment which includes:

- Compliance with tax laws
- Changes in internal governance practices
- Tax compliance approach (tax strategy, transparency, and relationship with IRB)
- The last TCG report issued
- Financial statements
- Tax return disclosures and accompanying schedules
- Country-by-country reporting (CbCR) statements
- Any other relevant information for the income year under review

# Tax remission on government guarantee loan instruments

The IRB has issued Practice Note 2/2025 - Explanation in Relation to Formula for Tax Remission on Government Guarantee Loan Instruments under the Loans Guarantee (Bodies Corporate) Act 1965 (excluding Insurance and Takaful Industry) (“PN 2/2025”).

PN 2/2025 is available on the IRB’s website [hasil.gov.my](https://hasil.gov.my) (Legislation > Practice Note).



The following are the key points from PN 2/2025:

- PN 2/2025 applies to banking institutions, financial institutions and any approved instrument holders, except insurers and reinsurers as well as takaful and retakaful operators.
- The formula for tax remission claims granted by the Minister under a loan guarantee order made under the Loans Guarantee (Bodies Corporate) Act 1965 (“LGA 1965”) is as follows:

$$\frac{\text{Gross Interest or Profit Income}}{\text{Total Gross Income}} \times \text{Tax Payable}$$

- An extract of Example 1 illustrates the computation as follows:

Bank Kesuma Dewi as the holder of a conventional financial instrument, has been granted remission of tax payable under the ITA 1967 through a loan guarantee order issued under the LGA 1965 for local interest income amounting to RM1,131,455. Its total gross income for the YA is RM921,268,274 and tax payable is RM132,086,472.72. The tax remission claimable is –

$$\frac{\text{RM1,131,455}}{\text{RM921,268,274}} \times \text{RM132,086,472.72} = \text{RM162,221.91}$$

- Beginning from YA 2025, companies may submit application for tax remission by completing and submitting the tax return form via the e-Filing platform.

# Public Ruling: Taxation of resident individuals

The IRB has issued Public Ruling 7/2025 - Taxation of a Resident Individual Part 1 - Gifts or Contributions and Allowable Deductions (“PR 7/2025”), which replaces Public Ruling 4/2024 of the same title. PR 7/2025 has been updated to incorporate the legislative changes announced in Budget 2025 and introduced through the Finance Act 2024.

The key updates to note are as follows:

## 1. Deduction of interest for first residential housing loan

New paragraph 6.16 has been incorporated to explain the tax treatment for deduction for interest payments on first residential housing loan as follows:

- a) The deduction is allowed for three consecutive YAs. The period of three YAs commences from the YA the first interest payment is made and not based on the first YA the individual makes a claim for the interest paid.
- b) Where two or more individuals pay interest on housing loan(s) on the same house, regardless of whether it is single or separate loans obtained, the total amount of interest deductible will be computed based on a per residential property basis. Hence, the amount of interest deductible will be apportioned between the individuals based on their portion of interest incurred as compared to the total interest incurred by all individuals. (Refer to Examples 40 and 41 from PR7/2025 which are reproduced in page 11 for reference).

## 2. Deduction for National Education Savings Scheme

The claim of deduction for National Education Savings Scheme (NESS or SSPN) for YA 2025 to YA 2027 is explained as follows:

- a) The maximum contributed amount claimable is up to RM8,000 for a couple (husband and wife), regardless of whether it is a combined or separate assessment, and regardless of the number of children.



- b) Where the husband and wife are divorced, each parent is then entitled to claim a maximum contributed amount of up to RM8,000.
- c) In the case where there are withdrawals made, the withdrawals for financing of children's education will not reduce the amount claimable from the contribution made. (Refer to Example 21 of PR7/2025 which is reproduced in page 11 for reference).

### 3. Deduction for childcare centre and kindergarten fees

In respect of childcare centre and kindergarten fees, if the divorced couple has only one child and both share expenses for the childcare fee, each parent is eligible to claim this deduction limited to the expended amount and not exceeding RM3,000 for a YA. Previously, both divorced parents were allowed to make a claim provided the expenses are not for the same child.

PR 7/2025 is available on IRB's website [hasil.gov.my](https://www.hasil.gov.my) (Legislation > Public Rulings).



### Example 21

Arif and his wife Lisa, opened a NESS account for their child since the age of 12. Each year, Arif and his wife individually deposit a total sum of RM8,000 without any withdrawals.

In the year 2025, Arif deposited a sum of RM8,000 into the account and withdrew RM3,000 from it for his child's university registration fees. Lisa also deposited RM8,000 in 2025 and withdrew RM2,000 for her medical expenses.

The amount of deduction for deposits into the NESS account that can be claimed by Arif and Lisa is as follows:

- a) YA 2024: Arif and Lisa are eligible to claim RM8,000 (maximum) each.
- b) YA 2025:
  - If combined assessment – a combined limit of RM8,000 (deemed incurred by one of them)
  - If separate assessment - either Arif claims a maximum of RM8,000<sup>^</sup> or Lisa claims a maximum of RM6,000 (after withdrawal for medical expenses)

<sup>^</sup> withdrawals from the NESS account for the purpose of financing the education costs of children who continue their studies to the higher level (diploma level and above) are not taken into account in the calculation of net savings.

### Example 40

Auni and Aini are twin siblings who jointly purchased a residential house for their parents to live in, costing RM560,000. The sale and purchase agreement was signed on 1 September 2025. Each of them took separate bank loans and made their respective instalment payments including loan interest.

The amount of interest that has been spent and is eligible to be claimed as a deduction by Auni and Aini is as follows:

Details	YA 2025		YA 2026	
	Expended amount (RM)	Allowable deduction (RM)	Expended amount (RM)	Allowable deduction (RM)
Auni	2,000	2,000	6,000	2,400 (5,000 x 6,000/12,500)
Aini	3,000	3,000	6,500	2,600 (5,000 x 6,500/12,500)

### Example 41

Kamal and his wife, Rose purchased their first residential house for RM400,000 in the year 2026. Each of them paid the interest on their loan amounting to RM3,000 in that year. Kamal elected for combined assessment under Rose's name. The interest paid by Kamal amounting to RM3,000 is deemed to have been paid by Rose. Rose is eligible to claim a deduction for loan interest totalling RM6,000 in YA 2026.

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