



Tax in Motion



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Exemption for Labuan Islamic financial activities gazetted

Following Budget 2025 announcement on the expansion of tax exemption for Labuan Islamic financial activities, the Labuan Business Activity Tax (Exemption) Order 2026 (“2026 Order”) was gazetted on 26 January 2026.

Full tax exemption is provided under the Labuan Business Activity Tax (Exemption) Order 2024 (“2024 Order”) to these Labuan entities on the income derived from qualifying activities in relation to Islamic finance [refer [TaXavvy 19-2024](#) for details]:

- Labuan bank, Labuan investment bank, Labuan Islamic bank or Labuan Islamic investment bank
- Labuan credit token company or Labuan Islamic credit token company
- Labuan fund manager
- Labuan International Financial Exchange.

The 2026 Order expands the tax exemption to income derived from qualifying activities by the following Labuan entities in the Islamic finance sector:

- i. Labuan insurer, Labuan reinsurer, Labuan takaful operator, or Labuan re-takaful operator
- ii. Labuan captive insurer or Labuan captive takaful
- iii. Labuan underwriting manager or Labuan underwriting takaful manager
- iv. Labuan insurance manager or Labuan takaful manager
- v. Labuan insurance broker or Labuan takaful broker.

Similar to the 2024 Order, the exemption under the 2026 Order is conditioned upon utilising digital solutions in carrying on the qualifying activity [more details on the next page].

The exemption is effective from year of assessment (YA) 2025 to YA 2028.

The Labuan entity shall maintain separate accounts for the income derived from each activity or business.



| Labuan entity | Qualifying activity |
|--|--|
| Labuan insurer, Labuan reinsurer, Labuan takaful operator, or Labuan re-takaful operator | Undertaking takaful and re-takaful businesses related to family or general takaful business that are based on Syariah principles and utilise digital solutions in: <ol style="list-style-type: none"> i. risk management or ii. product development. |
| Labuan captive insurer or Labuan captive takaful | Undertaking takaful and re-takaful businesses that are based on Syariah principles and utilise digital solutions for takaful participants which are related companies, associated companies, or as approved by the Labuan Financial Services Authority in: <ol style="list-style-type: none"> i. risk management or ii. product development. |
| Labuan underwriting manager or Labuan underwriting takaful manager | Providing underwriting services including administration related to Labuan takaful business that are based on Syariah principles and utilise digital solutions. |
| Labuan insurance manager or Labuan takaful manager | Providing management or administrative services related to Labuan takaful business that comply with Syariah principles and utilise digital solutions. |
| Labuan insurance broker or Labuan takaful broker | Providing services that are based on Syariah principles and utilise digital solutions for: <ol style="list-style-type: none"> i. arranging Labuan takaful business on behalf of prospective or existing policy owners ii. arranging Labuan re-takaful business on behalf of any takaful operator seeking re-takaful or iii. financial analysis of another person and providing a plan to meet his financial needs and objectives. |

Tax treatment on income of social media influencers

The Inland Revenue Board (IRB) has issued Guidelines: Tax Treatment on Income of Social Media Influencers, dated 14 January 2026 (“the Guidelines”) which outlines the tax treatment for income received by social or digital media influencers.



The following are the key points of the Guidelines:

Types of influencers

- **Individual influencers:** Individuals from various backgrounds (politicians, artists, sportsmen, etc.) influencing on social media.
- **Object-based influencers:** Objects like cartoon characters or logos with their own social media accounts. Examples of object-based influencers are the characters Upin & Ipin and Boboiboy who have their own accounts on social media platforms run by the individual or company that owns the publishing rights. In these cases, the owner of the object is taxable on the income derived and is responsible for tax compliance and tax payment.

The activities of influencers

- Producing content on social media such as recording, publishing, uploading, or displaying audio, video, or written materials
- Appearing in any activity, program, or event on social media
- Engaging in advertising or promotional activities on social media
- Receiving payment, gifts, or any benefits from any party due to involvement in social media activities

Types of revenue receipts

- Direct payments from social media platforms (e.g. clicks, followers, views, advertisements, commissions)
- Payment as a product ambassador (promoting goods / services)
- Sale of goods (selling branded goods / services online)
- Sale of influencer accounts
- Royalties on characters (use of influencer's image / character / depiction with an object)

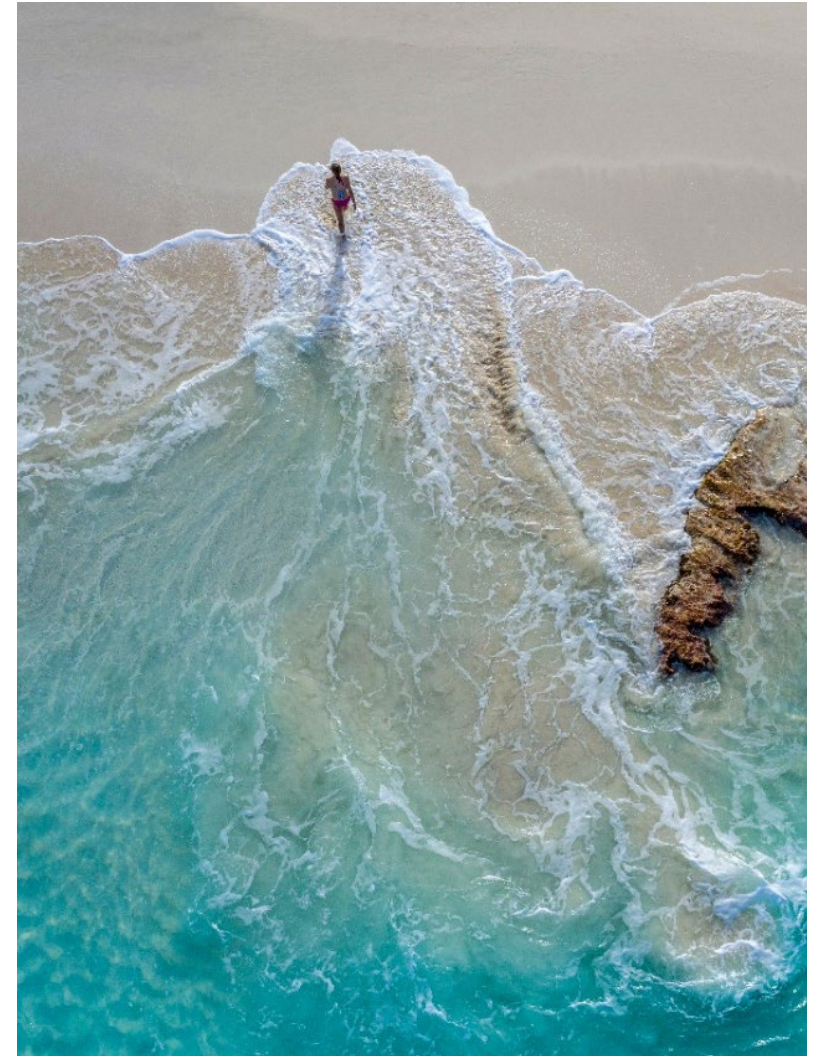
Types of revenue receipts (con't)

- Other revenue receipts (e.g. gifts of goods, discount vouchers, free services, etc. that have monetary value). The Guidelines provide a guidance for influencers to account for their activities as a business. This includes accounting for the value of items received in kind, tracking and recording expenses for tax deduction and complying with tax filing and payment obligations

Tax treatment

- Income received by influencers resident in Malaysia are taxed under section 4(a) of the Income Tax Act 1967 (ITA 1967) as business income.
- Income from social media platforms based outside Malaysia (such as Google AdSense and Instagram) is deemed derived and accrued in Malaysia as it relates to the social media influencer's activities which are carried out in Malaysia.
- Income from activities outside Malaysia is also taxable if related to influencer's profession in Malaysia
- Allowable expenses are those that are wholly and exclusively incurred in production of income such as expenses on internet access, filming, editing, and other expenses directly related to income generation as an influencer.
- Capital allowances are also available on capital expenditures used in producing the income.
- Influencers are also required to comply with estimated tax instalment payments (CP 500) issued by the IRB.

The Guideline is available on IRB's website hasil.gov.my (Legislation > Guidelines > Technical Guidelines).



Updated guidelines on deduction for sponsorship of arts, cultural and heritage activities

The Ministry of Tourism, Arts and Culture (MOTAC) has updated the Guidelines on Tax Deduction for Sponsorship of Arts, Cultural and Heritage Activities under Subsection 34(6)(k) of ITA 1967.

A copy of the guidelines is available on MOTAC's website motac.gov.my (Ministry Program > Sponsorship Tax Deduction Incentives).

The guidelines explain the criteria and procedures related to the application for tax deduction under section 34(6)(k) of the ITA 1967 regarding sponsorship of approved arts, cultural, and heritage activities. The aggregate deduction for sponsorship of local and foreign arts, cultural, or heritage activities is capped at RM1 million per year, of which up to RM300,000 may relate to foreign activities.

Key changes in the guidelines are:

Key definitions inserted

- The guidelines define the terms for arts, culture, heritage, media, and creation based on the National Culture Policy 2021 (DAKEN 2021) and the National Heritage Act 2005, clarifying what falls within the scope of activities qualifying for tax deductions under section 34(6)(k). See next page for the definitions.

Eligible applicants

- Applications are open only to companies/NGOs acting as organisers, while individuals are not eligible.
- Ministries/departments/agencies under any federal or state government are now not permitted to apply as organisers or to represent organisers (previously discouraged).
- An organiser who has received grants from any ministry/department/agency is not eligible to apply for tax deduction on the same programme.

Qualifying activities

- Ticketed/commercial events remain ineligible for tax deduction, except for certain traditional events held at locations certified by MOTAC.



Arts

Manifestation of human creativity, imagination, and intellectual expression expressed through various media. Serves multiple roles such as aesthetics, entertainment, education, ritual, the economy, and the shaping of collective identity. Includes:

- Visual arts (paintings, works on paper, sculptures, and art objects)
- Performing arts (music, dance, and acting)



Culture

The way of life rooted in the value systems, norms, practices, beliefs, customs, language, knowledge, arts, and social structures of a community. Encompasses all forms of heritage, arts, traditions, and societal values that should be preserved, strengthened, and harnessed as drivers of national identity and economic development, especially through tourism and the creative industries.



Heritage

Something that is inherited from previous generations. National treasures that are or were owned by individuals, groups, communities or humanity as a whole, to be preserved and conserved as a shared responsibility. Imports the generic meaning of National Heritage, sites, objects, and underwater cultural heritage. Includes:

- Language and literature
- Customs and culture
- Local wisdom
- Cultural sites/spaces



Media

Includes:

- Printed or electronic media (books, newspapers, and other publications)
- Audiovisual (documentation, film, television/radio, images, and videos)
- Creative media (software, digital contents, games, animations, and graphics)



Creation

Includes:

- Design (interior design, fashion, accessories, architecture, and landscaping)
- Creative services (advertising, creative R&D, and cultural services)



Updated guidelines on approved donations for the purchase of religious schools

The IRB has updated the Guidelines for the Approval of the Director General of Inland Revenue under Subsection 44(6) of ITA 1967 for the Fund for the Purchase of Religious Schools (FPRS), replacing the previous version dated 28 April 2021.

A copy of the guidelines is available at IRB's website hasil.gov.my (Legislation > Guidelines > Technical Guidelines).



Salient updates include:

Implementation of e-Invoice

- An approved FPRS is required to implement e-Invoice in accordance with the existing implementation timeline prescribed in the e-Invoice Guidelines.
- The issuance of e-Invoice for donations or contributions depends on whether the donor requests an e-Invoice.
 - Approved FPRS shall issue an e-Invoice upon request, eliminating the need for pre-printed official receipts. The e-Invoice can substantiate donations made for tax purposes.
 - Approved FPRS shall issue a pre-printed official receipt according to current practices where an e-Invoice is not requested. Consolidated e-Invoice shall be issued within seven calendar days after the month end for donations received without individual e-Invoices.
 - Where donors do not provide complete information for e-Invoices purposes, consolidated e-Invoice will still be required to be issued.
- The “Description of Product or Service” field in a consolidated e-Invoice must contain the same note that is required to be printed on the official receipt, for example:
*“Deduction under subsection 44(6) of the Income Tax Act 1967
Reference number: LHDN.AG.600-12/1/4-6.XXXX
Effective period: dd/mm/yyyy to dd/mm/yyyy”*
- Effective 1 January 2026, an e-Invoice must be issued for any single donation or contribution exceeding RM10,000 in one transaction.

Contributions in kind to an approved FPRS

- Contributions in kind may be accepted by an approved FPRS. However, donors do not qualify for tax deduction under section 44(6).

MITRS filing programme for the year of assessment 2026

The IRB has issued the Filing Programme for Documents Specified under Section 82B of ITA 1967 through the Malaysian Income Tax Reporting System (MITRS) for YA 2026.

The filing programme is available on the IRB's website hasil.gov.my (Forms > Filing Programme For Documents Specified Under Section 82B ITA 1967 Through MITRS > Assessment Year 2026).



MITRS has been implemented for companies, limited liability partnerships, and Labuan entities. With effect from YA 2026, implementation of MITRS has been extended to unit trusts / property trusts, trust bodies, co-operative societies, and real estate investment trusts / property trust funds, accessible through the MyTax portal from the following dates:

| Taxpayer category | Availability of MITRS |
|--|------------------------------|
| Unit trusts / Property trusts | 1 July 2026 |
| Trust bodies | 1 August 2026 |
| Co-operative societies | 1 August 2026 |
| Real estate investment trusts / Property trust funds | 1 September 2026 |

Key points to note are:

- Effective YA 2026, the following documents must be submitted together with the audited / unaudited financial statements for insurance companies and takaful operators:
 - Insurance companies:
 - i. Insurance Companies Statistical System, and
 - ii. Risk Based Capital
 - Takaful operators
 - i. Takaful Operator Statistical System, and
 - ii. Risk Based Capital Takaful
- The detailed income statement is to be submitted together with the income tax computation (previously, with the audited financial statements).

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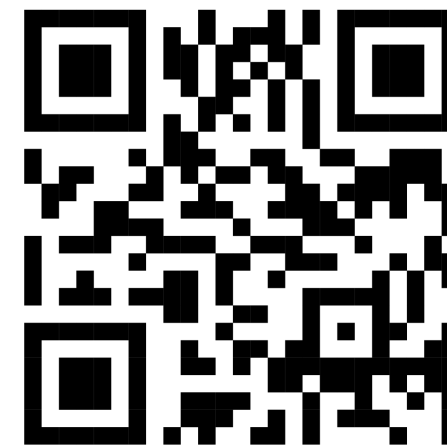
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