



Tax in Motion



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e-Invoice: Extension of flexibilities for MSMEs and accelerated capital allowance

In a media statement released on 26 July 2024, the Inland Revenue Board (IRB) announced that accelerated capital allowance (ACA) on ICT equipment for implementation of e-Invoicing will be given to taxpayers who have successfully implemented e-Invoicing without the need to use certain flexibilities* provided by IRB.

The following gazette orders, providing the abovementioned ACA, have been issued:

- Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoice) Rules 2026
- Income Tax (Accelerated Capital Allowance) (Development Cost for Customised Computer Software for the Implementation of Electronic Invoice) Rules 2026

The provisions from the said gazette orders are similar to the 2024 Orders** (which provide ACA for ICT equipment and computer software incurred for general business purposes). The key differences which relate to implementation of e-Invoicing are as follows:

Effective period

Note

In Budget 2025, the effective period was announced as YAs 2024 to 2025. The ACA is now given for additional two years of assessment (YA) until YA 2027. The extended period is better aligned with the e-invoice implementation timeline.

ACA rate

To be claimed over two[^] YAs, comprising:

- Initial allowance of 20%
- Annual allowance of 40%

Note

[^]As compared to claims over three YAs if a qualifying claim is made under the 2024 Orders** where the ACA rates are:

- Initial allowance of 40%
- Annual allowance of 20%

**The 2024 Orders are:

- Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2024
- Income Tax (Capital Allowance) (Development Cost for Customised Computer Software) Rules 2024

Qualifying expenditure

The qualifying expenditure (QE) is similar to those under the 2024 Orders**, e.g. software systems and consultation fee, payment for rights of software ownership and incidental fee relating to the development of customised computer software. The additional condition is the QE must be incurred specifically for the implementation of e-Invoicing system.

Specific conditions

Taxpayers are required to comply with the following conditions to be eligible for the ACA:

- Comply with the prescribed e-Invoice implementation timeline,
- Must not have been granted flexibility* in relation to issuance of e-Invoice under IRB's e-Invoice Guidelines,
- Must comply with e-Invoice issuance requirements as specified under the IRB's e-Invoice Guidelines, and
- The business must be registered with CCM, business registration body, local authority or statutory body.

Note

*The flexibility announced in IRB's media release on 26 July 2024 is in relation to submission of consolidated e-Invoice during the duration of the interim relaxation period (i.e. six months from the date of mandatory implementation of each phase) for implementation of e-Invoicing. The flexibilities provided are:

- All industries / activities are allowed to issue consolidated e-Invoices, including self-billed e-Invoices,
- Any description of transaction may be entered into the "Description of product or service" field, and
- Where there is a request for e-Invoice from the buyer, the seller is allowed to issue consolidated e-Invoice without the need to issue an e-Invoice for each transaction.

Taxpayers that incurred QE in YAs 2024 and 2025 and satisfy the above conditions may review their CA claims and consider the benefits from the ACA rates.

Extension of interim relaxation period for MSMEs

Following the press release by the Ministry of Finance on 20 April 2026, the interim relaxation period, including the flexibilities accorded during this period for the implementation of e-Invoicing, has been extended to **31 December 2027** (from 31 December 2026) for taxpayers with annual revenue / turnover of between RM1million and RM5 million.

Stamp Duty Audit Framework – Updated

The IRB has, on 20 April 2026, issued an updated Stamp Duty Audit Framework, dated 1 January 2026. It replaces the Stamp Duty Audit Framework dated 1 January 2025.

The Stamp Duty Audit Framework is available on IRB's website hasil.gov.my (Legislation > Framework > Tax Audit Framework).

The following are the salient updates:

- Reference to the new penalty provisions and new part 10 and 11 listing out the penalties for offences (as outlined in the table in the next page) have been inserted.
- The audit coverage period, in general, is now stated as four years, comprising the current year and the preceding three years
- The following timeframes have been changed from “working days” to “days” hence, they are now based on calendar days instead of working days:
 - a) Furnishing of supporting documents / information to IRB – within 14 days from the date of the Audit Visit Letter / Notification of Audit Action Letter
 - b) To discuss the audit findings with IRB if the taxpayer is dissatisfied with the audit findings – within 14 days from the date of the Audit Findings Letter
 - c) Completion of comprehensive audit review – within 60 days from the date of the Audit Visit Letter. For general audit reviews, the period to complete the audit remains as seven working days from the date of the issuance of Letter of Notification and Request for Additional Documents.

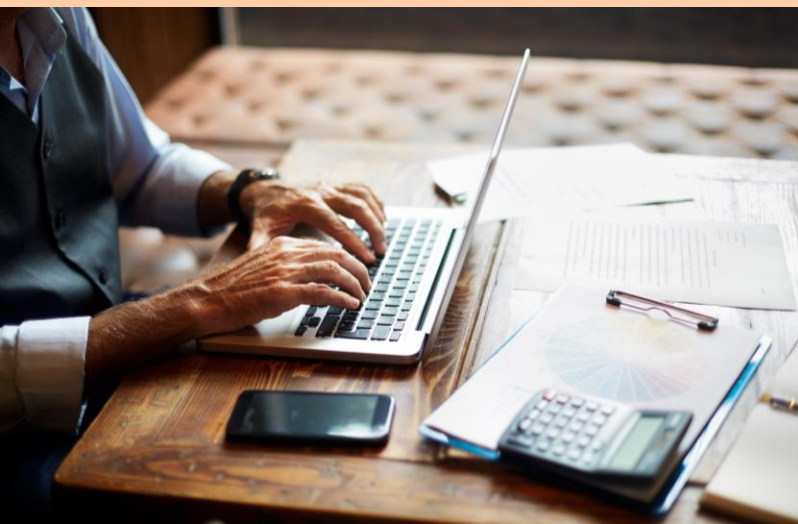


Penalties for offences

Offence	Penalty / Fine	Section of Stamp Act 1949
Instruments that are insufficiently stamped or where there is a shortfall in duty payable	<ul style="list-style-type: none"> Higher of RM50 or 10% of deficient duty if the instrument is stamped within three months after the time of stamping Higher of RM100 or 20% of deficient duty for all other cases 	47A(1)
Failure to fully and truly set forth all facts and circumstances affecting liability of stamp duty in the instrument	Minimum of RM2,500 but not exceeding RM50,000	61
Executing and signing documents not duly stamped	Minimum of RM1,000 but not exceeding RM10,000	63
Sale, forgery, and misuse of stamp certificates	Minimum of RM2,500 but not exceeding RM50,000	72A
Failure to maintain records	Not exceeding RM10,000	72B
Failure to furnish a return with the instrument that is chargeable to duty	Not exceeding RM10,000 upon conviction, or a minimum of RM200 but not exceeding RM2,000 in lieu of prosecution	72C
Furnishing of incorrect stamp duty returns or information	Minimum of RM1,000 but not exceeding RM10,000 and a special penalty equal to the amount of duty undercharged upon conviction, or the amount of duty undercharged in lieu of prosecution	72D
Any matter involving an act of stamp duty fraud	Minimum of RM1,000 but not exceeding RM20,000	74
Leaving Malaysia without payment of duty	Not exceeding RM5,000	74B

Exemption from restriction on deduction for payments made to Labuan International Commodity Trading Companies

The Income Tax (Labuan Company) (Exemption) Order 2026 (“2026 Order”) has been gazetted to extend the exemption from the requirement to restrict tax deduction under the Income Tax Act 1967 (ITA 1967) for certain types of payment made by a resident in Malaysia to a Labuan company undertaking a qualifying activity under the Global Incentives for Trading (GIFT) programme until YA 2030.



With effect from 1 January 2019, Malaysian residents are subject to restrictions on tax deduction for certain types of payments made to Labuan entities, as summarised below:

Types of payment	Percentage not deductible
Interest payment (including payment in connection with financing in respect of commission, facility fee and advance fee)	25%
Lease rental	25%
Other payments	97%

Exemptions from the above restrictions were subsequently provided for transactions between the following persons under the Income Tax (Exemption) (No. 11) Order 2021 (“2021 Order”):

1. Labuan entities that have opted to pay tax under the ITA 1967 and Malaysian residents;
2. Labuan International Commodity Trading Companies undertaking a qualifying activity under the GIFT programme (“LICTC”) and Malaysian residents until YA 2025; and
3. Labuan entities that are paying tax under the ITA 1967 and Labuan entities that are paying tax under Labuan Business Activity Tax Act 1990 (LBATA 1990) until YA 2025.

The 2026 Order extended the exemption for payments made by Malaysian residents to an LICTC until the YA 2030.

The current status of the exemptions from the restriction on deductibility initially introduced under the 2021 Order are summarised in the following page:

Status of exemptions from the 2021 Order

Category	Payer	Recipient	Effective date	Status of exemption
1	Resident	A Labuan Company which has made an irrevocable election to be taxed under the ITA 1967	From 1 January 2019	No expiry – exemption remains valid
2	Resident	A Labuan Company which undertakes a qualifying activity under the GIFT programme	YAs 2019 - 2025	Extended until YA 2030 through the 2026 Order
3	Labuan entities that are paying tax under the ITA 1967	Labuan entities that are paying tax under LBATA 1990		Exemption is not available from YA 2026 unless extended by a separate gazette order.

Tax incentive for tour operators

Following the announcement in Budget 2026, the Income Tax (Tour Operator Company) (Exemption) Order 2026 has been gazetted and is effective for YAs 2026 and 2027.

This incentive is in support of the Visit Malaysia Year 2026. The salient points of the incentive are:

- Malaysian resident and incorporated licensed tour operators are given 100% exemption on the incremental income derived from inbound tour packages (tour packages within Malaysia utilised by foreign tourists).
- Incremental income is the difference between the business income derived from operating tourism packages within Malaysia from inbound tour packages for the current YA compared to the immediately preceding YA.
- The total number of foreign tourists brought in must not be less than 1,000 in a YA.



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