MOORE Advent

TAX FLASH

July 2025

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New Format of Dividend Voucher

Effective year of assessment ["YA"] 2025, a company shall, upon paying, crediting or distributing a dividend which is deemed to be derived from Malaysia to its individual shareholders, furnish to the individual shareholders with a certificate stating the gross amount of the dividend and the amount of dividend paid or credited, or where the dividend includes property other than money, also stating the market value of that property at the time of distribution.

In line with this, the Inland Revenue Board ["IRB"] has recently released a *new format of dividend voucher*. The updated format, accompanied by a *sample* for reference, aims to enhance clarity and transparency in the declaration of dividend income.

Operational Guidelines 1/2025 – Implementation of Tax Compliance Certificate for Government Procurement

The IRB has recently issued the *Operational Guidelines 1/2025 – Implementation of Tax Compliance Certificate ["TCC"] for Government Procurement* (in *Bahasa Malaysia*) dated 25th June 2025 to replace the previous guidelines:-

- Operational Guidelines 1/2023 – Issuance of TCC for Government Procurement Application dated 23rd November 2023; and
- Operational Guidelines 4/2024 - Pilot Implementation of TCC for Government Procurement Applications for Consultancy Work and Services (Physical) dated 30th September 2024.

Effective 1st July 2025, this new Operational Guidelines formalises the full-scale implementation of the TCC requirement. It covers all categories of government procurement, including supply of goods and services (consultancy and non-consultancy) and works. The core compliance criteria and issuance processes for TCC of the previous guidelines remain unchanged.

The key enhancements under the full implementation include centralised and consistent procedures, along with a uniform application of requirements across all government agencies. Notably, each TCC is only valid for the calendar year in which it is issued (e.g. a TCC issued in 2025 is valid until 31st December 2025).

Note: *For further information on the Operational Guidelines 1/2023 and Operational Guidelines 4/2024 issued by the IRB previously, kindly refer to our* Tax Flash - February 2024 and Tax Flash - November 2024 *issues.*

Tax Deduction on Environmental Preservation, Social and Governance Related Expenditures

Following the Budget 2024 announcement, the *Income Tax (Deduction For Expenditure in relation to Environmental Preservation, Social and Governance) Rules 2025* has been gazetted on 23rd June 2025. The Rules are intended to foster greater corporate engagement in Environmental, Social and Governance ["ESG"] compliance by providing specific tax deductions for qualifying ESG-related expenditure.

Salient points of the above Rules include:-

i. Tax Deduction

- An amount equal to the expenditure incurred on qualifying ESG expenditure of up to a maximum of RM50,000 per year of assessment.

ii. Categories of Taxpayers and Qualifying ESG Expenditure

- Financial institution supervised by the Central Bank or a company listed on Bursa Malaysia
  - Expenditure for the ESG reporting incurred for:-
    - validation, verification and certification the use of ESG practices, calculation and tracking of the greenhouse gas ["GHG"] emissions, and ESG exposure;
    - subscription of technology or software systems for data collection, tracking the use of ESG metrics, risk management, scenario analysis and calculation of GHG emissions;
    - capacity building including training, education and skills development for employees; and
    - services of consultants or subject matter experts to perform the above activities.
- Company or Labuan company
  - Expenditure incurred for:-
    - preparation of reports as required under the guidelines for the Tax Corporate Governance Framework ["TCGF"], and the appointment of independent reviewers to perform review assessment of compliance with the TCGF; or
    - preparation of contemporaneous transfer pricing documentation.

- Micro Enterprise or Small and Medium Enterprises ["SME"] as defined under SME Corporation Malaysia Act 1995
    - Consultation fees incurred for the development of customised software for the implementation of electronic invoice ["e-Invoice"] in a business and obtaining services of external service providers (excludes expenditure incurred at the planning or preliminary stage for customisation of software and consultation fees relating to the issuance of e-Invoice through MyInvois Portal).

The above Rules are effective from YA 2024 until YA 2027.

Double Taxation Relief (The Government of the Republic of Maldives) Order 2025

The new *Double Taxation Agreement ["DTA"] signed between Malaysia and Republic of Maldives* has recently been gazetted.

Salient points of the DTA include:-

i. A building site or construction, installation or assembly project or supervisory activities in connection therewith, which exists for more than 9 months will constitute a permanent establishment ["PE"].
ii. A PE is also deemed to exist if services, including consultancy services provided by an enterprise through employees or other personnel for the same or connected project for more than 183 days within any 12-month period.
iii. The withholding tax ["WT"] rates applicable on payments made to non-residents are as follows:-
    - Dividends – 5% of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends throughout a 365 days period (including the day of the payment of the dividend) or 10% of the gross amount of the dividends in all other cases (*Note*)
    - Interest – 10% (penalty charges for late payment are not considered as interest)
    - Royalties – 10%
    - Service fees – 10%

The above DTA will enter in force upon ratification.

Note: *Currently, there is no WT on outbound dividends under the ITA 1967.*

Revised E-Invoice Implementation Timeline

The *Income tax (Issuance of Electronic Invoice) (Amendment) Rules 2025* has been gazetted to enforce the revised implementation timeline for e-Invoice.

With the gazettement of the above Rules, the implementation dates for relevant taxpayers are amended as follows:-

Targeted Taxpayers	Implementation Date
Taxpayers with annual sales in excess of RM5 million but not exceeding RM25 million	1st July 2025
Taxpayers with annual sales in excess of RM1 million but not exceeding RM5 million	1st January 2026
Taxpayers with annual sales of RM1 million and below	1st July 2026

The following are the updated documents pertaining to the implementation of e-Invoice:-

- *Updated e-Invoice Guidelines dated 5th June 2025 [Version 4.4]* to replace the previous guidelines uploaded on 18th March 2025;
- *Updated e-Invoice Specific Guidelines dated 5th June 2025 [Version 4.2]* to replace the previous guidelines uploaded on 21st February 2025; and
- *Updated General Frequently Asked Questions ["FAQ"] dated 15th June 2025* to replace the previous FAQ uploaded 21st February 2025.

FAQ on the Stamp Duty on Employment Contracts in Malaysia

Following the recent Media Release on the Stamp Duty Exemption for Employment Contracts Executed before 1st January 2025 issued by the IRB, the IRB has published the *FAQ – Stamp Duty on Employment Contracts in Malaysia* dated 3rd July 2025 to provide further clarification on the issues relating to stamping of employment contracts.

Salient points of the above FAQ include:-

- Pursuant to Section 4(1) of the Stamp Act 1949 ["SA 1949"], employment contracts in Malaysia are deemed chargeable instruments and are subject to stamp duty. This requirement applies to all types of employment contracts, including contracts for temporary, short-term, part-time, and contract based.
- The instruments which are not duly stamped are inadmissible as evidence in a court of law.
- Characteristics of an employment contract include the existence of employer-employee relationship, periodic payment of salary/wages, prescribed working hours and work location, compliance with employer's policy, provision of benefits (e.g. Employees Provident Fund, Social Security Organization and annual leave), performance of work under employer's instructions, and prohibition from working for third parties without permission.
- Offer letter (includes offer letter to intern) that establishes a relationship between employer and employee will be considered as employment contract and is subject to stamp duty.
- Renewal of contract is considered as new instrument and is subject to stamp duty.
- The stamp duty for an employment contract or agreement is a fixed rate of RM10 per original copy of the contract, as prescribed under item 4 of the First Schedule of the SA 1949.
- The obligation to stamp lies with the party who first executes the instrument, typically the employer.
- Stamping must be completed within 30 days of signing (if executed in Malaysia) or within 30 days of receipt in the country (if signed aboard).
- Supplemental documents such as addendum in relation to information technology policies, employee benefit and sponsorship for studies, if binding, are also subject to stamp duty.
- Employment contracts prepared in languages other than *Bahasa Malaysia* or English must be accompanied by line-by-line translations from qualified translator.
- For companies handling a high volume of contracts, bulk stamping may be facilitated through XML specification for batch processing, with prior coordination through IRB's feedback portal.
- Employment contracts executed before 1st January 2025 that have been granted stamp duty exemption may be submitted to the IRB for assessment and endorsement to obtain the certificate of stamp duty exemption.
- Failure to comply within the stipulated timeframe may result in penalties as follows:-

Period of Late Stamping	Penalty
Not exceeding 3 months	RM50 or 10% of deficient duty*
Exceeding 3 months	RM100 or 20% of deficient duty*

** Whichever is greater.*

Note: *For further information on the IRB's Media Release on the Stamp Duty Exemption for Employment Contracts Executed before 1st January 2025 , kindly refer to our Tax Flash - June 2025 issue.*

Updates on Single Family Office Incentive Scheme

The Securities Commission Malaysia ["SC"] has recently issued the *Application Kit: Conditional Approval for Single Family Office ["SFO"] Incentive Scheme* to provide detailed guidance on the submission of the application for the said conditional approval. The required documents to be submitted are listed in the said application kit and it is to be noted that the application for conditional approval shall be submitted upon mandatory consultation with the SC or in parallel.

In addition, the *FAQ – Single Family Office Scheme* has been updated from its previous version which was issued on 23rd September 2024. The latest version of the FAQ provides more clarity in the following areas:-

i. The definition of single family, SFO Vehicle and SFO Management Company;
ii. The eligibility criteria for the SFO Incentive Scheme;
iii. The types of SFO tax incentive available for SFO Vehicle; and
iv. The categories and calculation of assets under management.

The relevant subsidiary legislations that provide for the SFO tax incentive have yet to be gazetted. Nonetheless, interested single families may proceed with their application for conditional approval to SC and concurrently apply for the one-off stamp duty and capital gains tax exemption for SC's processing and approval.

Note: *For further information on Tax Incentive for Forest City Special Financial Zone, kindly refer to our Tax Flash - November 2024.*

Guide on Sales Tax Exemption and Application for Refund of Sales Tax on Mastectomy Bra

The Ministry of Finance ["MOF"] has recently published the *Guide on Sales Tax Exemption and Application for Refund of Sales Tax on Mastectomy Bra* (back-dated to 1st January 2025) in our national language – *Bahasa Malaysia*. The salient points extracted from the guide are as follows:-

- Sales tax exemption is granted on the importation or acquisition of mastectomy bras as appended below:-

No.	Product	HS Code	Sales Tax Rate
1.	Mastectomy Bra (made of cotton)	6212.10.1100	10%
2.	Mastectomy Bra (made of other textile materials)	6212.10.9100	10%

- The sales tax exemption is effective for the period from 1st November 2024 to 31st December 2027.
- For any importation or local purchase of mastectomy bras in which sales tax was paid during the period from 1st November 2024 to 31st December 2024, an application for a sales tax refund must be submitted to the Tax Division of the MOF no later than 30th September 2025.
- For any online purchases of mastectomy bras involving low-value goods subject to sales tax where such purchases are made during the period from 1st November 2024 to 31st December 2027, an application for a sales tax refund must be submitted to the Tax Division of the MOF no later than 30th June 2028.

Sales Tax and Service Tax Regulations and Orders

The following Regulations and Orders have been gazetted and took effect from the following dates:-

No.	Subject	Date Gazetted	Effective Date
1.	*Service Tax (Imposition of Tax for Taxable Service in Respect of Designated Areas Excluding Pulau 1 and Special Areas) (Amendment) Order 2025*	27.05.2025	30.05.2025
2.	*Sales Tax (Rate of Sales Tax) (Amendment) Order 2025*	30.06.2025	01.07.2025
3.	*Sales Tax (Goods Exempted from Sales Tax) (Amendment) Order 2025*		
4.	*Service Tax (Amendment) Regulations 2025 (Amendment) Regulations 2025*		

Service Tax Guides

The Royal Malaysian Customs Department ["RMCD"] has published the following service tax guides recently:-

- *Guide on Financial Services* dated 9th June 2025;
- *Guide on Rental or Leasing Services* dated 9th June 2025;
- *Guide on Private Education Services* dated 9th June 2025;
- *Guide on Construction Work Services* dated 9th June 2025;
- *Guidelines for the Transition of Sales Tax Rate Changes Effective on 1st July 2025* dated 9th June 2025;
- *Guidelines on Insurance or Takaful Services* dated 19th June 2025 (in *Bahasa Malaysia*);
- *Guidelines on Line of Credit or Shariah-Compliant Financing Services via Activation of Credit Card or Charge Card* dated 19th June 2025 (in *Bahasa Malaysia*); and
- *Guide on Healthcare Services, Practice of Traditional and Complementary Medicine Private Services and Private Allied Health Related Services* dated 1st July 2025.

Service Tax Policies

The RMCD has published the following service tax policies all dated 29th June 2025 to outline the conditions or criteria to be qualified for service tax exemptions due to the recent service tax expanded scope:-

- *Service Tax Policy No. 1/2025 – Financial Services*;
- *Service Tax Policy No. 2/2025 – Rental or Leasing Services*;
- *Service Tax Policy No. 3/2025 – Construction Works Services*;
- *Service Tax Policy No. 4/2025 – Education Services*; and
- *Service Tax Policy No. 5/2025 – Private Healthcare Services*.

One of the key changes noted when comparing the guides and the service tax policies relating to financial, rental or leasing and construction works services is that the local authorities are only exempted from charging and paying service tax for the period from 1st July 2025 to 30th September 2025. Any services provided or acquired by the local authorities on or after 1st October 2025 will be subject to service tax.

As regards the eligibility for non-reviewable contracts, one of the mandatory conditions to qualify for exemption from payment of service tax until 30th June 2026 is that the contract must be stamped by the Stamp Office on or before 9th June 2025. Any contract that is not stamped by 9th June 2025, regardless of whether all other conditions are fulfilled or not, will not be considered as a non-reviewable contract and therefore, will not qualify for the service tax exemption.

Separately, it is noteworthy that although group relief is available for the provision of rental or leasing services to companies within the same group of companies (upon fulfillment of the prescribed conditions), the rental or leasing amounts charged to the group of companies are still regarded as forming part of the value of the taxable services (albeit being exempted from the payment of service tax). As such, these amounts (based on a rolling 12-month period) must be taken into account in determining the service tax registration threshold of RM1,000,000.

Any SME may qualify for exemption from payment of service tax if the SME fulfills all the conditions stipulated under item 5 of the Service Tax Policy No. 2/2025. From the landlord's perspective, it is advisable to maintain a record to monitor the validity of each SME's exemption approval status since each approval is only valid for 12 months from the date of issuance of such approval letter. Different SME tenants may hold different approval dates, depending on when they apply for the exemption from the RMCD.

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