

## Latest Tax Updates

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### Updates to e-Invoicing and Sales and Service Tax (SST)

Below are the key changes announced by our Prime Minister during his New Year message on 5 January 2026.

#### Additional Transitional Period for e-Invoicing Phase 4 (annual revenue up to RM5 million)

A 12-month transitional period has been granted for taxpayers in Phase 4 (extended from the original 6-month period), beginning from 1 January 2026 till 31 December 2026 (initially ending on 30 June 2026) in order to smoothen the implementation process for MSME businesses.

*Important note: **e-Invoicing Phase 4 implementation date remains unchanged which is 1 January 2026** and it is important for taxpayers to take note that this additional period granted is an extension of the transitional (relaxation) period and not a deferment of the Phase 4 implementation date.*

#### Consolidated e-Invoice for Construction Materials

Effective 1 January 2026, taxpayers involved in the business of wholesale and retail of construction materials are allowed to issue Consolidated e-Invoices, except for transactions exceeding RM10,000.

#### Changes to SST Policies

##### i) Service tax for rental or leasing services (effective 1 January 2026)

- Rate reduced from 8% to 6%
- Annual sales of tenants with MSME status that is exempted from payment of service tax has been increased from RM1 million to RM1.5 million
- Newly incorporated MSMEs are granted service tax exemption on rental or leasing services for a period of 1 year from the MSMEs' registration date

##### ii) Service tax exemption for construction contracts

- For non-reviewable construction contracts signed before 1 July 2025 that is exempted from 1 July 2025 to 30 June 2026 is given an extension for 1 year until 30 June 2027

##### iii) Service tax exemption for construction of places of worship (effective 1 July 2025)

- Places of worship such as *surau*, mosque, temple, church and *tokong*

##### iv) Sales tax exemption for registered manufacturers (effective 1 January 2026)

- Granted on raw materials or inputs used for production of animal feed, fertiliser and pesticides