Deloitte TaxMax – The 51st series

Building economic resilience through strategic tax reform

Lee Kok Jiunn | 20 November 2025

Indirect Tax

Reflections of 2025

Changes to the indirect tax landscape leading to Budget 2026

Notable indirect tax changes thus far

- Expansion of the scope of sales tax and service tax from 1 July 2025
  - More items are added to the scope of sales tax – 5%/10%
  - New taxable services introduced (construction, healthcare, rental / leasing, private education, financial services) – 6%/8%
- Release of sales tax and service tax policies to manage gaps resulting in burden to businesses
- Revision of policy in granting import duty/sales tax exemption for importation of machinery / equipment by Malaysia Digital status holders
- Voluntary disclosure programme to encourage compliance whilst navigating the changing landscape of indirect tax

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Collections and projections

Federal Government Indirect Tax Revenue and Projections

Tax	2024	2025 (Revised estimate)	2026 (Estimate)
	RM	**RM**	**RM**
Export duty	2,091,735,092	1,919,815,000	1,913,173,000
Import duty	3,071,502,541	3,077,279,000	3,081,464,000
Excise duty on local goods	6,704,465,520	5,999,427,000	6,134,914,000
Sales tax - local	8,239,002,723	7,983,378,000	8,815,440,000
Sales tax - import	13,270,673,987	16,116,332,000	17,796,039,000
Service tax	23,247,651,872	29,323,880,000	33,015,864,000
Levy	1,958,428,817	1,979,803,000	2,100,269,000
Excise duty on imported goods	6,678,316,267	6,508,896,000	6,655,884,000
Miscellaneous indirect tax	2,926,894,344	2,992,000,000	3,141,600,000
TOTAL	**68,189,671,163**	**75,900,810,000**	**82,654,647,000**

*Source: Summary of Federal Government Revenue Estimates - Fiscal Outlook 2026

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Increase in excise duty rates for specific items

Effective 1 November 2025

Proposed

No.	Description	Current rate	Rate of increase
1	Cigarette • Tariff code: 2402.20.20 00, 2402.20.90 00 and 2402.90.20 00	• RM0.40 per stick • RM8 per packet	To be increased in phases starting with • RM0.02 per stick • RM0.40 per packet
2	Cigars, cheroots and cigarillos • Tariff code: 2402.10.00 00 and 2402.90.10 00	RM400 per kilogram	To be increased in phases starting with RM40 per kilogram
3	Heated tobacco products • Tariff code: 2404.11.00 00	RM778 per kilogram	To be increased in phases starting with RM20 per kilogram
4	Beer • Tariff code: 22.03	RM175 per 100% vol. per litre	Increased by 10%
5	Sparkling wine • Tariff code: 2204.10.00 00	RM450 per 100% vol. per litre	Increased by 10%
6	Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka • Tariff code: 2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20, 2208.30, 2208.40.00 00, 2208.50.00 00 and 2208.60.00 00	RM150 per 100% vol. per litre	Increased by 10%

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Increase in excise duty rates for specific items (cont'd)

Effective 1 November 2025

Proposed

No.	Description	Current rate	Rate of increase
7	Cider and perry, sake, shandy, wine (vegetables & fruit juice), other rice wine, liquers and cordials, arrack or pineapple spirit • Tariff code: 2206.00.10 00, 2206.00.20 00, 2206.00.41 00, 2206.00.49 00, 2206.00.60 00, 2206.00.91 00, 2208.70.10 00, 2208.70.90 00, 2208.90.50 00, 2208.90.60 00, 2208.90.91 00 and 2208.90.99 00	RM60 per 100% vol. per litre	Increased by 10%
8	Samsu (including medicated samsu) • Tariff code: 2208.90.10 00, 2208.90.20 00, 2208.90.30 00, and 2208.90.40 00	RM60 per 100% vol. per litre	Increased by 10%
9	Coconut palm toddy, mead, bitters • Tariff heading: 2206.00.31 00, 2206.00.39 00, 2206.00.50 00, 2206.00.99 00, 2208.90.70 00 and 2208.90.80 00	RM40 per 100% vol. per litre	Increased by 10%
10	Undenatured ethyl alcohol • Tariff code: 2207.10.00 00	RM22.50 and 15% per 100% vol. per litre	Increased by 10%
11	Ethyl alcohol and other spirits • Tariff code: 2207.20	RM1.10 and 15% per 100% vol. per litre	Increased by 10%

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Increase in excise duty rates for specific items (cont'd)

Matters to consider

- Potential cost increase
- Cashflow management
- Transitional implications – timing of importation or sales

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Measures in respect of indirect tax exemptions

Adjusting the scope of exemptions

Proposed

- Vehicle tax exemption in Langkawi / Labuan – limited to vehicles valued at no more than RM300,000.

Effective: 1 January 2026

- 100% excise duty and sales tax exemption on new national cars i.e. Proton and Perodua purchased by taxi owners and private hire car owners to be continued.

Effective: no end date indicated

- Import duty and sales tax exemption on nicotine gum and nicotine patch – extended to 31 December 2027.
  Import duty and sales tax exemption scope for Nicotine Replacement Therapy products extended to cover nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.

Effective: for applications received by the Ministry of Finance from 11 October 2025 to 31 October 2027

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Other notable indirect tax measures

- Introduction of carbon tax in 2026
  - Initial focus on iron, steel and energy sectors.
  - Mechanisms will be aligned with the policies under the National Carbon Market Policy and National Climate Change Bill ("RUUPIN") (which will be tabled later).
  - National Carbon Market Policy will set the framework for carbon trading in Malaysia.
  - RUUPIN will serve as legal framework for climate governance, defining institutional roles, reporting and compliance mechanisms.
  - Industry feedback on RUUPIN sought.

- Implementation of digital stamps with enhanced security features to combat counterfeiting and revenue leakages at entry points.

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