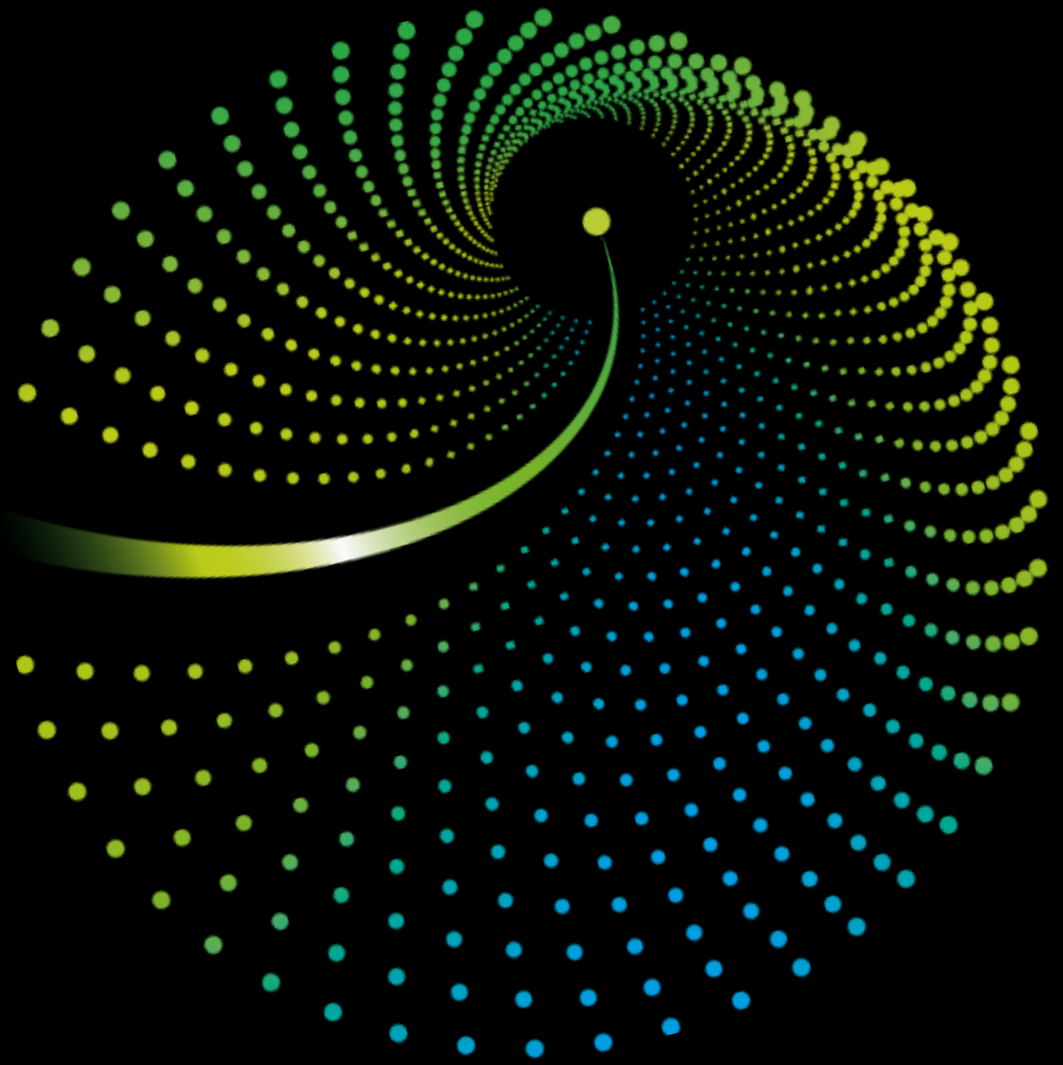
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Deloitte TaxMax – The 52nd series
Leading through change

Nicholas Lee | Thursday, 12 November 2026



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Reflections for the past year

Expansion of sales tax and service tax (SST)	Serves as an important Government revenue source, but it also increases concerns over costs
Targeted refinements to existing SST rules	Policymakers are becoming more receptive to targeted refinements based on industry feedback, though further refinements are welcomed
Aligning business to compliance	There are increasing discussions on how businesses can adhere to specific administrative or technical compliance requirements while balancing business operational norms
Shifting conversations to 'how SST can work better'	There are ongoing discussions on how SST should be improved to reduce cascading effects and become more business-friendly

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Federal Government Indirect Tax Revenue and Projections

Tax	2025	2026 (Revised estimate)	2027 (Estimate)
	RM (million)	RM (million)	RM (million)
Export duty	1,808	1,845	1,914
Import duty	3,064	3,203	3,323
Excise duties	12,789	11,746	11,784
Sales tax	25,582	28,799	30,891
Service tax	30,292	38,200	42,450
Miscellaneous indirect tax	5,733	5,944	6,800
TOTAL	**79,268**	**89,737**	**97,162**

*Source: Summary of Federal Government Revenue Estimates - Fiscal Outlook 2027

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Enhancing the competitive edge of local businesses

Sales tax refund facility for traders on supplies to manufacturers

Sales tax paid by local traders or distributors for goods supplied to manufacturers entitled to the exemptions as follows:

- Machinery, spare parts and equipment under Item 55, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018; and
- Approved raw materials and goods for the manufacture of pharmaceutical products, animal feed, fertilisers and pesticides under Item 5, 6 and 7 of Schedule B, Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

Effective: 1 January 2027

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Enhancing the competitive edge of local businesses (cont'd)

Expansion of import duty exemption for Langkawi origin goods

Import duty exemption is be granted on goods originating from Langkawi which are imported into the Principal Customs Area (PCA) as follows:

Goods Category	Agriculture and Agro-food	Fisheries and Marine Products	Consumer Goods and Home Appliances	Food and Beverage Products	Minerals and Ornament	Forestry and Construction
List of Goods	1. Bird's eggs 2. Coconuts 3. Fruits 4. Sugarcanes 5. Vegetables 6. Poultry 7. Virgin coconut oil	1. Anchovies 2. Anchovy based products 3. Dried stingray products 4. Downstream sea cucumber products	1. Homemade soap 2. Virgin coconut oil soap 3. Whetstones	1. Coffee products 2. Mineral water 3. Pineapple tarts 4. Coconut cookies 5. Chocolate made in Langkawi 6. Curry puff 7. Chips 8. Buffalo milk ice cream 9. Retort products	1. Handicraft products 2. Crystal products 3. Tiffin carrier	1. Wood charcoal 2. Cement 3. Marble

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Supporting welfare of the elderly

Revision of service tax treatment for elderly care services

- Elderly care services is to be removed from Group C and be introduced as a new item under Group I, First Schedule, Service Tax Regulations 2018 (STR).
- The rate of service tax is to be reduced from 8% to 6%.
- Service tax is to be imposed when the annual care fee / charge exceeds RM96,000 per person.
- Annual care fee / charge of up to RM96,000 per person is to be exempted from service tax, if the providers of elderly care centre services are registered under Care Centres Act 1993 or Private Aged Healthcare Facilities and Services Act 2018.

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Boosting tourism and local entertainment space

Import duty/sales tax exemption for duty-free goods transported out of Langkawi and Labuan

Import duty and sales tax exemption on new goods purchased by tourists / visitors in Langkawi/Labuan with duty-free purchase limit of RM10,000, subject to a minimum stay of 48 hours except for:

- Tyres and tubes
- Alcoholic beverages
- Cigarettes
- Tobacco products
- Smoking pipes
- Electronic cigarettes and vapes, including liquids or gels

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Boosting tourism and local entertainment space (cont'd)

Entertainment duty exemption in the Federal Territories

1. Entertainment duty exemption provided on the following entertainment categories held in Federal Territories is to be extended until 31 December 2030:
   - Stage performances by international artists/ light shows/ circuses
   - Film screenings (cinema)/ theatres
   - Exhibitions/ zoos/ aquariums
   - Sports events/ e-sports/ bowling/ snooker/ pool/ billiards/ karaoke
   - Theme parks/ family recreation centres/ indoor amusement centres/ simulators
   - Stage performances by local artists

2. Full entertainment duty exemption will be granted on tickets for local film screenings (cinema) and local theatre performances held in the Federal Territories for 4 years.

3. Entertainment duty exemption on admission fees for arts and cultural events, as well as entertainment and sporting activities held at Stadium Merdeka and Stadium Negara.

Effective:

i. For selected categories of entertainment – applications received by the Ministry of Finance until 31 December 2030.

ii. For local film screenings and local theatre performances – applications received by the Ministry of Finance from 1 January 2027 until 31 December 2030.

iii. 1 January 2027

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Things to lookout for

- What are the mechanisms and criteria to operationalize these new refund/exemption proposals?
- Any broader reforms to address cascading effects of sales tax/service tax?
- Will there be more targeted refinements to sales tax/service tax?
- Will these changes move the needle?
- With increased adoption of Artificial Intelligence (AI), how will this influence enforcement and compliance?

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