

Baker Tilly TaxSnaps

6 January 2026

SST & E-Invoicing Updates

The Ministry of Finance (“MOF”) announced a series of measures on 5 January 2026 aimed at easing compliance costs and providing transitional relief for businesses, particularly micro, small and medium enterprises (“MSMEs”). These measures focus on reducing indirect tax burdens and offering greater flexibility in the implementation of the e-Invoicing compliance requirements.

This edition of our TaxSnaps highlights the following key updates:

- (i) Update on the Sales Tax and Service Tax (“SST”) measures
- (ii) The extended transitional and interim relaxation period for e-Invoicing

Update on SST Measures

Following the announcement by the Prime Minister, the MOF has issued a media statement dated 5 January 2026 [<link>](#) outlining updates to the SST policy. The key measures are summarised as follows:

(i) **Service Tax on Rental and Leasing Services for MSMEs**

With effect from 1 January 2026, the much-debated Service Tax rate on rental or leasing services has been reduced from 8% to 6%.

Additionally, the annual turnover threshold for MSMEs exempt from service tax on such services has also been increased from RM1 million to RM1.5 million. In addition, newly registered MSMEs are granted a one-year exemption from service tax on rental or leasing services effective from the date of MSME registration.

(ii) **Sales Tax Exemption on Critical Raw Materials and Inputs**

Sales tax exemption is granted effective 1 January 2026 on critical raw materials or inputs used by registered manufacturers in the production of essential goods. This includes inputs used in agricultural and livestock production, such as animal feed, fertilisers and pesticides with the objective of ensuring more competitive as well as price stability for essential goods.

(iii) **Extended Service Tax Exemption for Certain Construction Contracts**

Construction service contracts signed before 1 July 2025 that do not contain a **reviewable clause** will continue to enjoy service tax exemption. The exemption period which was initially to run from 1 July 2025 to 30 June 2026 is now extended by one additional year until 30 June 2027, allowing eligible contracts to benefit from up to two years of service tax exemption.

(iv) **Service Tax Exemption for Construction of Religious Buildings**

Construction services relating to religious buildings including surau, mosques, temples, churches and shrines are granted service tax exemption with effect from 1 July 2025.

We will keep you updated should there be any further clarification or guidance issued by the Royal Malaysian Customs Department in relation to the above SST measures.

Extended Transitional and Interim Relaxation Period for e-Invoicing

In a media statement [link](#) issued by the Inland Revenue Board (“IRB”) on 5 January 2026, the IRB announced that taxpayers which are subjected to Phase 4 of e-Invoicing (with annual sales of between RM1 million and RM5 million) will be granted an extended interim relaxation period of 12 months from 1 January 2026 to 31 December 2026, replacing the previously-announced 6-month period.

During this interim relaxation period, taxpayers are allowed to carry out the following:

- Issuance of consolidated e-Invoices for all activities and transactions, including those listed under Section 3.7 of the e-Invoicing Specific Guidelines, even if there are e-Invoices being requested by the buyers;
- Issuance of consolidated self-billed e-Invoices for all self-billing situations as outlined under Section 8.3 of the e-Invoicing Specific Guidelines; and
- Insert any transaction description in the “Product or Service Description” field.

In addition, no penalties will be imposed for non-compliance during the above interim relaxation period, provided the taxpayers comply with the prescribed e-Invoicing requirements.

The media statement further provides that taxpayers in the Wholesale and Retail Construction Materials sector are allowed to issue consolidated e-Invoices with effect from 1 January 2026. Under this concession, e-Invoices are only required for transactions exceeding RM10,000 or where an e-Invoice is specifically requested by the buyer.

* The updated e-Invoicing Specific Guidelines are available [here](#).

The measures covered in this edition of TaxSnaps are intended to provide businesses with an update whilst also alerting our clients and businesses at large on transitional relief measures that can be availed. Do consult us should you require any clarification on how these changes may apply to your business or if further clarification is required. We would be pleased to assist you in assessing the impact of these developments and addressing any questions you may have.

Contact Our Experts

Mr Anand Chelliah

Managing Partner
Tax Services
E: anand.chelliah@bakertilly.my

Mr Marcus Tan

Executive Director
Tax Advisory Services
E: marcus.tan@bakertilly.my

Mr Justin Ong

Director, Tax Services
Tax Compliance, Tax Advisory & Indirect Tax Services
E: justin.ong@bakertilly.my

Mr Yohan Francis Xavier

Executive Director,
International Tax & Transfer Pricing Services
E: yohan.xavier@bakertilly.my

Ms Tay Siew Chu

Executive Director
Tax Compliance
E: siewchu.tay@bakertilly.my

Our Experts - Regional

Mr Huang Shze Jiun

Managing Partner
Johor Bahru
E: sj.huang@bakertilly.my

Mr Ni Chen Chuen

Tax Director
Sabah
E: chenchuen.ni@bakertilly.my

Mr Andrew Tong

Partner, Tax Services
Sarawak
E: andrew.tong@bakertilly.my

Ms Wong Poh Ling

Senior Managing Consultant
Tax Services, Seremban
E: pohling.wong@bakertilly.my

Ms Joanne Khor

Tax Director
Penang
E: joanne.khor@bakertilly.my

Mr Sim Siew Han

Director
Melaka
E: siewhan.sim@bakertilly.my

Ms Khoo Shaw Cbyn

Senior Managing Consultant,
Tax Services, Batu Pahat
E: shawcbyn.khoo@bakertilly.my

Our Offices

Kuala Lumpur Head Office

Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

T: +603 2297 1000
F: +603 2282 9980

www.bakertilly.my

Penang

9-2, 9th Floor
Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Georgetown

T: +604 227 9258
F: +604 227 5258

Johor Bahru

38-2, Jalan Sri Pelangi 4
Taman Pelangi
80400 Johor Bahru

T: +607 332 6925
F: +607 332 6988

Kota Kinabalu

1-3-1A, 3rd Floor
Block B, Kolam Centre Phase II
Jalan Lintas, Luyang
88300 Kota Kinabalu

T: +60 88 233 791
F: +60 88 249 691

Melaka

2, Ground Floor
Jalan PS 3
Plaza Semabok
Semabok
75050 Melaka

T: +606 282 6422
F: +606 283 7280

Batu Pahat

33, Jalan Penjaja 3
Ground Floor
Kim's Park Business Centre
83000 Batu Pahat

T: +607 431 5403
F: +607 431 4840

Seremban

Level 2
Wisma Sim Du
37, Jalan Dato' Bandar Tunggal
70000 Seremban

T: +606 762 2518
F: +606 763 6950

Segamat

125, Jalan Susur Pemuda 2
85000 Segamat

T: +607 932 1125
F: +607 931 1125

Sibu

147, 1st Floor
Kampong Nyabor Road
96000 Sibu

T: +6084 313 527

Miri

1st Floor, Lot 672
Jalan Permaisuri
98000 Miri

T: +6085 426 205

Bintulu

236 - 237
(Lot 7894 & 7895)
1st Floor
Assyakirin Commerce Square
Jalan Sultan Iskandar
97000 Bintulu

T: +6086 334 871

Kuching

33, 1st Floor
Block B
Wisma Nation Horizon
Jalan Petanak
93100 Kuching

T: +6082 248 168

Sarikei

No 34, 1st Floor
Jalan Haji Karim
96100 Sarikei

T: +6084 655 212

Labuan

1st Floor, U0509
Lazenda Commercial Centre Phase 11
Jalan Tun Mustapha
87000 Labuan

T: +608 744 0800

Phnom Penh (Cambodia)

B3-071 & B3-072, Borey Elysee
Koh Pich City
Sangkat Tonle Bassac
Khan Chamkarmon
Phnom Penh, Cambodia

T: +855 2398 7100



This publication is contributed by the Tax Department of Baker Tilly Malaysia. Whilst every effort has been made to ensure the accuracy and correctness of this publication, we make no representations or warranty, whether expressed or implied, about the accuracy, suitability, reliability or completeness of the information contained herein. Baker Tilly Malaysia, its employees, agents or related entities are not liable for any consequences of individuals acting in reliance on the information contained herein or for any decisions made based on it. Recipients should not act upon the information contained herein without obtaining professional advice customised to the applicable circumstances, requirements or needs.