

March 2026

Malaysia's 15% Minimum Tax Is Here – Are You Ready?



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To recap, Malaysia is implementing Global Minimum Tax ("GMT") through two (2) mechanisms: –



Domestic Top-up Tax
("DTT")



Multinational Top-up Tax
("MTT")

Businesses should assess **early** on whether they are in-scope and how the GMT legislation could potentially affect them administratively and financially.

The following were issued by the Inland Revenue Board of Malaysia ("IRBM") in February 2026: –



Guideline on the Implementation of DTT in Malaysia
(As at 3 February 2026).



Frequently Asked Questions ("FAQs")
(As at 3 February 2026).

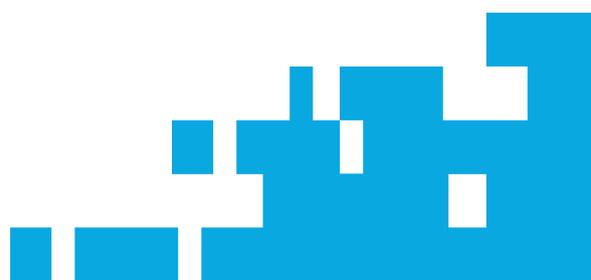
The above are subject to updates from time to time and can be downloaded from IRBM's website: –



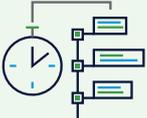
Guideline



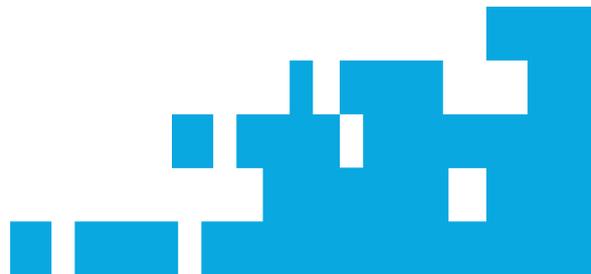
FAQs



Key Highlights on DTT

Areas	Key Takeaways
Effective Date 	<p>In Malaysia, DTT applies for Financial Year ("FY") beginning on or after 1 January 2025 and subsequent FYs*.</p> <p><i>*Based on the accounting period of the Ultimate Parent Entity ("UPE")'s consolidated financial statements.</i></p>
Purpose of DTT 	<ol style="list-style-type: none"> 1. DTT serves as Malaysia's Qualified Domestic Minimum Top-up Tax ("QDMTT"). 2. It ensures that Malaysia retains taxing rights over low-taxed domestic profits, thus preventing other jurisdictions from collecting top-up taxes under Pillar Two.
Scope of DTT 	<p>Malaysian Constituent Entities of an MNE Group will be subject to DTT in Malaysia if the group's consolidated annual revenue meets EUR750 million in at least 2 out of the 4 preceding FYs.</p>
Filing Timeline 	<ol style="list-style-type: none"> 1. Each Malaysian Constituent Entity must furnish the return in a prescribed form no later than 15 months after the end of FY of the UPE. 2. For the first filing transition year, the filing is extended to 18 months after the last day of the FY of the UPE. <div style="border: 1px dashed green; padding: 10px; margin-top: 10px;"> <p><u>Illustration</u></p> <p><i>DTT applies for FY beginning on or after 1 January 2025. The first FY for an in-scope MNE group with 12-month accounting period will end on 31 December 2025.</i></p> <p><i>Accordingly, the initial submission of DTT by the Malaysian Constituent Entities will be 18 months from the last day of the FY i.e. 30 June 2027 (transition year).</i></p> <p><i>There is no change to the submission due date for Form e-C i.e. 31 July (with one-month grace period).</i></p> </div>

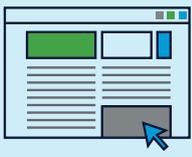
Areas	Key Takeaways
<p>Jurisdictional Blending</p> 	<p>Malaysia applies a jurisdictional blending approach by aggregating income and covered taxes of all Malaysian Constituent Entities, except for certain entities* for the purpose of computing DTT.</p> <p><i>*Investment entities, minority-owned constituent entities, joint ventures etc are required to perform separate Effective Tax Rate and Top-up Tax calculations.</i></p>
<p>Financial Accounting Standard</p> 	<ol style="list-style-type: none"> DTT is to be computed based on the Malaysian Constituent Entity's financial statements prepared under the local financial accounting standards [e.g. Malaysian Financial Reporting Standards ("MFRS"), Malaysian Private Entities Reporting Standards ("MPERS")] provided that: - <ol style="list-style-type: none"> All Malaysian Constituent Entities have the same FY as their UPE; and Each of the Constituent Entities prepares its own statutory or audited financial statements. Otherwise, DTT is to be computed based on the accounts and Financial Accounting Standard used for the UPE's consolidated financial statements.
<p>Currency</p> 	<ol style="list-style-type: none"> Where the Constituent Entities have met the following criteria, DTT is to be computed in Malaysian Ringgit ("RM"): - <ol style="list-style-type: none"> Local Financial Accounting Standard rule mentioned above (<i>Note 1</i>); and RM is used as functional currency in financial statements (<i>Note 2</i>). <p><i>Note 1 – Otherwise, DTT is to be computed based on the presentation currency in the UPE's consolidated financial statements.</i></p> <p><i>Note 2 – If one or more Constituent Entities do not use RM as functional currency, a five-year election is available, where the Constituent Entities can use either the RM OR presentation currency in the UPE's consolidated financial statements to compute DTT.</i></p> DTT return must be filed in RM.
<p>Safe Harbour</p> 	<p>To ease compliance, the following are available: -</p> <ul style="list-style-type: none"> Transitional Country-by-Country Reporting ("CbCR") Safe Harbour*; and Permanent Safe Harbour. <p><i>*Applicable for FYs beginning on or before 31 December 2027 but excluding FYs ending after 30 June 2029.</i></p>

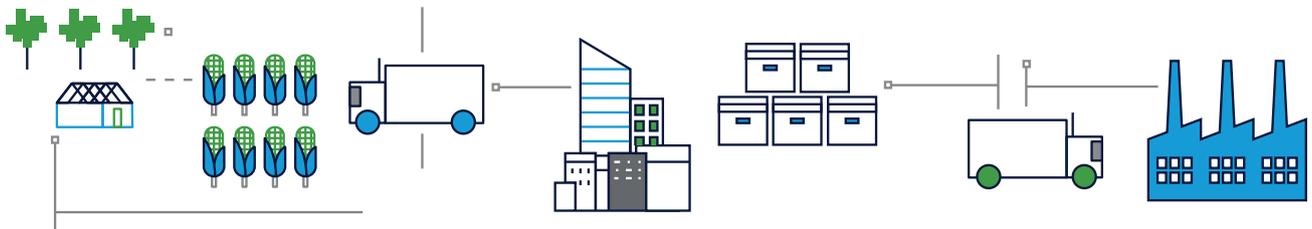


Areas	Key Takeaways
<p>De Minimis Exclusion</p> 	<p>Eligible entities may elect annually for De Minimis Exclusion, where DTT is deemed zero for a FY for the Malaysian Constituent Entities if: -</p> <ol style="list-style-type: none"> The Average GloBE Revenue of <u>ALL</u> Malaysian Constituent Entities for the current and 2 preceding FYs is less than EUR10 million; and The Average GloBE Income or Loss of ALL Malaysian Constituent Entities for the current and 2 preceding FYs is less than EUR 1 million.

What This Means For Your Organisation

With the first DTT filing approaching, in-scope MNE Groups should begin: -

 <p>Assessing the applicability of DTT for Malaysian entities</p>	 <p>Preparing data, systems, processes, models for relevant calculations</p>	 <p>Evaluating eligibility for safe harbour</p>	 <p>Aligning accounting, finance and tax reporting processes to ensure compliance</p>
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