FREQUENTLY ASKED QUESTIONS (FAQ): POLICY UPDATE ON IMPORT DUTY AND SALES TAX EXEMPTION FOR THE IMPORTATION OF MULTIMEDIA/ICT EQUIPMENT BY MALAYSIA DIGITAL (MD) COMPANIES

1. When does the policy update take effect?

The policy update will take effect from 1 January 2026.

2. Who is impacted by the recent policy update?

This policy update applies only to Malaysia Digital (MD) companies undertaking data centre activities that submit applications for import duty and sales tax exemptions.

MD companies engaged in other MD-promoted activities are not affected by this update.

3. What qualifies as data centre activities under this policy?

For the purpose of this policy, data centre activities refer to MD companies undertaking one or more of the following:

- **Data Centre Operator (Co-location services)**: Operators that provide core data centre infrastructure services, including power supply, cooling systems, physical security and equipment space.
- **Hyperscaler**: Global providers of cloud infrastructure and services such as **Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS)** and/or **Software as-a-Service (SaaS)** with a minimum power requirement of 25 megawatts (MW) or above, a global data centre footprint and no provision of co-location services.
- **Cloud Service Provider (CSP)**: Providers of **Infrastructure-as-a-Service (IaaS)** and/or **Platform-as-a-Service (PaaS).**

4. What happens to applications submitted before 1 January 2026?

Applications for import duty and sales tax exemptions submitted before 1 January 2026 by MD companies undertaking data centre activities will not be affected by this policy update. Such applications will continue to be processed in accordance with the prevailing procedures and guidelines in effect at the time of submission.

5. What happens to applications submitted on or after 1 January 2026?

Applications for import duty and sales tax exemptions submitted on or after 1 January 2026 by MD companies undertaking data centre activities **will now be processed in accordance with the updated policy effective from 1 January 2026** as announced on 26 December 2025, and will be:

- Considered on a case-by-case basis
- Subject to additional requirements, where applicable

- Subject to approval by the Ministry of Finance (MOF)

Additional requirements may include but are not limited to the following:

- Details of the applicant's investment and financial commitments.
- Specifications of AI-ready infrastructure including technical capabilities.
- Evidence of economic spillover effects or broader ecosystem benefits.
- Justification for the necessity of the equipment for data centre operations.
- Justification for the equipment being import instead of sourced from local manufacturers.
- Proof of engagement with local manufacturers (i.e. official letter from local manufacturers stating their inability to supply the equipment in accordance with the Company's specified requirements).
- Royal Malaysian Custom Departments (RMCD) tariff code classification for modular/prefabricated type of equipment.

6. When will the updated procedures and guidelines be made available?

The relevant implementation procedures and detailed guidelines for the updated policy are currently being refined in consultation with the relevant Ministries. Accordingly, the operationalisation of the updated procedures is taking longer than initially anticipated. MDEC will issue further updates and guidance in due course once the information is finalised. For further inquiries or assistance, please contact us at clic@mdec.com.my.

7. How does an MD Company decide which three (3) MD Companies within its company group are eligible for the import duty and sales tax exemption?

The determination of the three (3) eligible MD companies within the same group must be made internally by the group's highest approving authority. The group is responsible for identifying and nominating which three entities will utilise the exemption facility. This confirmation must be formalised through an official declaration letter, signed by the organisation's highest authority. The letter must clearly list the selected entities and confirm that no other companies within the same group will apply for the exemption beyond the allowed three.

8. An MD Company can be exempted from sales tax for purchase of multimedia / ICT equipment from local manufacturers based on the updated policy effectively 1 January 2026. What does the "manufacturer" refer to?

Based on Section 2 of the Sales Tax Act 2018 ("Act"), "manufacturer" means a person who engages in the manufacture of goods, while "registered manufacturer" means a manufacturer registered under Section 13 or Section 14 of the Act. For the purposes of this exemption, purchases by MD Company must be made directly from a registered manufacturer.

MD Company is not permitted to appoint a representative to purchase the goods on its behalf from the registered manufacturer and is required to provide the valid

Manufacturing License issued by Ministry of Investment, Trade and Industry (MITI) to the registered manufacturer.

9. How to submit an application for sales tax exemption for locally registered manufactured equipment?

Applications for sales tax exemption on locally manufactured equipment must be submitted online through the e-DFI System and must be submitted before the purchase of multimedia / ICT equipment. Please note that applications for locally manufactured equipment must be submitted separately and cannot be combined with applications for imported equipment. When completing the online form, please ensure that the “Country of Origin” field is set to “Not Applicable” since the equipment is manufactured locally.

10. Will an Acknowledgement Letter be issued for applications for sales tax exemption on locally manufactured equipment?

MDEC does not issue an Acknowledgement Letter for applications submitted for sales tax exemption on locally purchased multimedia/equipment from local manufacturers. However, MDEC will formally notify the company by email upon acceptance of the submission for the Exemption application related to locally purchased Multimedia/ICT equipment. The email is intended only to confirm that the application has been successfully submitted and received by MDEC. It does not represent approval of the Exemption and shall not be used for the issuance of a bank guarantee (if applicable).

11. Can an MD Company purchase multimedia / ICT equipment from local manufacturers after submitting the application to MDEC?

The multimedia / ICT equipment can only be purchased after the company has received official approval from the Ministry of Finance (MOF). MOF approval is required to enable the registered manufacturer to exempt sales tax on multimedia/ICT equipment purchased by MD companies.

12. If an MD Company has been issued an invoice by registered local manufacturer and has completed the purchase of the multimedia / ICT equipment, can the sales tax paid be refunded?

The MOF approval letter must be submitted to the registered manufacturer at the point of purchase of the taxable goods. This is because the sales tax exemption is granted at the point of purchase from the registered manufacturer. Therefore, no claim for refund of sales tax can be made for purchases completed before the MOF approval letter is submitted.