CIRCULAR NO. 149/2025 DATE: 13 OCTOBER 2025

**SALES TAX EXEMPTION AND REFUND FOR THE MANUFACTURING SECTOR**

The Malaysian Plastics Manufacturers Association (MPMA) wishes to inform members that the Royal Malaysian Customs Department (RMCD) has issued two new sales tax policies relating to the manufacturing sector:

**Sales Tax Policy No. 3/2025**, dated 29 September 2025, titled *"*Sales Tax Exemption on Raw Materials, Components, Packing and Packaging Materials, Manufacturing Aids and Cleanroom Equipment."

**Sales Tax Policy No. 4/2025**, dated 10 October 2025, titled "Sales Tax Exemption on Machinery, Equipment, and Spare Parts under Item 55 Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018."

This policy provides guidance on the sales tax exemption and refund mechanism approved by the Minister of Finance (MoF) under subsections 35(3) and 35(6) of the Sales Tax Act 2018, applicable to goods that were previously exempt before 1 July 2025 and became taxable under the expanded SST framework.

**Background**
MPMA met with the Ministry of Finance (MoF) on 20 August 2025, chaired by Mr Fadzlee Malik, Head of the SST Department. Three key issues were raised:

1. **Resin Supply Chain**: Current exemptions are too narrow, excluding Tier 2 distributors and raising costs for SMEs. MoF shared potential solutions under the existing framework.

2. **Machinery & Equipment**: The 5% SST on plastics machinery, moulds, and robots raises investment costs. MoF acknowledged some HS Codes may have been missed and requested MPMA's full list for review.

   **MPMA is pleased to confirm that the incorporation of all relevant sub-HS Codes for plastics machinery and moulds into the revised guidelines (Revision 26 September 2025, See Appendix 1) enables these items to apply for the Sales Tax Exemption.**

3. **Recycling Industry**: Gaps in exemptions for scrap collectors and recyclers risk discouraging recycling. MoF agreed to study MPMA's proposal to expand Schedule C to cover the recycling chain.

MoF has since released the **Guide on Sales Tax Exemption Revision 26 September 2025** and the related **Sales Tax Policy No. 3/2025 and No. 4/2025**, which formalises these clarifications.

Key Points of Sales Tax Policy No. 3/2025:

1. Exemption applies to **raw materials, components, packing and packaging materials, manufacturing aids, and cleanroom equipment** imported or purchased from registered manufacturers for the production of taxable goods that were previously exempt before 1 July 2025.

2. Manufacturers may apply for refunds of sales tax paid on these goods if: They have applied for registration as a registered manufacturer no later than 31 August 2025; and purchases/importations were made between 1 July and 31 August 2025.

Key Points of Sales Tax Policy No. 4/2025:

1. Sales tax is exempted for **machinery, equipment, and spare parts** imported or purchased on or after 1 July 2025 for manufacturing finished goods.

2. A refund is available for machinery, equipment, and spare parts purchased or imported between 1 July and 26 September 2025, provided that: The items are listed in the Guide on Sales Tax Exemption (Appendix 1); and the manufacturer obtains a confirmation letter from MIDA;

**Application Deadline**: Refund applications must be submitted to 'Cawangan Perakaunan Hasil, Bahagian Perkhidmatan Teknik, RMCD, by 30 November 2025, using Form JKDM No. 2.

**Reference Material**: Details are available under Refund, Drawback, and Sales Tax Appeal Guidelines at MySST Portal.

MPMA continues to engage with MoF and RMCD to ensure practical implementation for plastics manufacturers, especially in the areas of resin supply chain exemptions, machinery tax classification, and recycling material (HS 3915) treatment.

We encourage members to review the full policy document and ensure compliance with the application procedures and deadlines.

**MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION**

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