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MyCC LAUNCHES MARKET REVIEW ON THE DIGITAL ECONOMY TO PROTECT CONSUMERS AND MARKET COMPETITION

The Ministry of Domestic Trade and Cost of Living (KPDN), through the Malaysia Competition Commission (MyCC), today launched the Market Review on the Digital Economy Ecosystem under the Competition Act 2010 [Act 712]. This market review is in line with KPDN's role in strengthening a sustainable and progressive domestic trade ecosystem, particularly by ensuring fair and healthy markets that ultimately protect consumers.

The launch ceremony was held at PARKROYAL Collection Kuala Lumpur, with approximately 300 participants comprising representatives from ministries and government agencies, industry players, consumer organisations and academic institutions.

The market review is important in assessing the market structure and business practices within the digital economy sector, which may affect the overall competition landscape, consumer choices, pricing of goods and services and taxation in Malaysia.

Conducted over a period of 18 months, the review began in July 2024 and focuses on four key areas:

1. Mobile operating systems and payment services;
2. Retail e-commerce platforms (retail marketplaces);
3. Digital advertising services; and
4. Online travel agencies (OTAs).

The review also highlights issues related to privacy and data protection across all four areas. Among its findings, the review indicates that certain practices by digital platforms may potentially harm fair competition. This could in turn affect the cost of living and reduce the competitiveness of local businesses, particularly micro, small and medium enterprises (MSMEs). These practices include high commission structures, restrictive contractual terms, limited transparency in pricing mechanisms and control over consumer data.

In response, MyCC has proposed several concrete measures. One of the key recommendations is the establishment of the Central Digital Economy Taskforce adopting

a whole-of-government approach to help the Government address regulatory gaps in the digital economy more effectively.

The review also highlights the need for enforcement action under the Competition Act 2010 against online travel agencies, through close collaboration between MyCC, the Ministry of Tourism, Arts and Culture (MOTAC) and the Malaysian Communications and Multimedia Commission (MCMC).

In addition, the review finds that improvements to the digital taxation approach should be implemented to ensure digital platforms contribute fairly to national development. Data on the Service Tax on Digital Services (SToDS) shows an increase to RM1.62 billion in 2024, compared to RM802 million in 2021. However, the review estimates that there remains a significant potential annual tax contribution gap due to differences in tax rates between digital platforms and local businesses.

Overall, MyCC has put forward 18 comprehensive policy recommendations, including strengthening regulatory frameworks, improving transparency and data access and implementing strategic initiatives to protect the interests of consumers and MSMEs within the digital ecosystem.

These recommendations may serve as an important foundation for all digital economy stakeholders, particularly policymakers and implementing agencies, to take timely action to ensure Malaysia's digital economy grows in a fair, inclusive and people-centred manner.

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Kuala Lumpur

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