EXPANSION ON SCOPE OF SERVICE TAX
SERVICE TAX ACT 2018

SURIANI BINTI SHARIFF
DEPUTY DIRECTOR OF CUSTOMS
INTERNAL TAX DIVISION (INTERNATIONAL TAX)
ROYAL MALAYSIAN CUSTOMS DEPARTMENT
WILAYAH PERSEKUTUAN KUALA LUMPUR

SCOPE OF BRIEFING

1. INTRODUCTION TO SToDS , LVG and TTX
2. IMPOSITION & SCOPE OF SERVICE TAX
3. EXPANSION SCOPE
    1. FINANCIAL SERVICES
    2. HEALTHCARE
    3. EDUCATION
    4. CONSTRUCTION
    5. RENTAL OR LEASING
4. INTRODUCTION OF CARBON TAX

1 INTRODUCTION TO SToDS , LVG and TTX

DIGITAL TAX - MySTODS

The tax (service tax) is charged on digital services provided by foreign service providers (FSPs) to consumers in Malaysia

Tax Scheme	Scope	Rate	Key Business Impact
MySToDS (Digital Services)	Foreign digital services to Malaysian consumers; threshold RM 500k in 12-mth	8%	Digital service providers & platforms need registration, invoicing, compliance

LOW VALUE GOODS (LVG)

?

"Low Value Goods" (LVG) refers to goods with a sales value of RM 500 or less, brought from outside Malaysia into Malaysia via land, sea or air

Tax Scheme	Scope	Rate	Key Business Impact
LVG Tax (Low Value Goods)	Goods ≤ RM 500 sold online/imported into Malaysia; sellers >RM 500k sales in 12-mth	10%	Online sellers + marketplace/importers must register, invoice, pay tax; pricing impact

TOURISM TAX (TTX)

Tourism Tax (TTx) is a tax charged in Malaysia on accommodation premises for "tourists" (foreign passport holders) staying in Malaysia

Tax Scheme	Scope	Rate	Key Business Impact
TTx (Tourism Tax)	Foreign guests staying in Malaysian accommodation	RM 10 per room/night	Hotels, booking platforms must collect & remit; affects pricing and guest experience

2

IMPOSITION & SCOPE OF SERVICE TAX

GROUPS OF TAXABLE SERVICES

FIRST SCHEDULE STR 2018

13 GROUPS

- **A** ACCOMODATION
- **B** FOOD & BEVERAGE
- **C** NIGHT CLUBS, DANCE HALLS, CABARETS, KARAOKE CENTRE, WELLNESS CENTRES, MASSAGE PARLOURS, PUBLIC HOUSES AND BEER HOUSES
- **D** PRIVATE CLUB
- **E** GOLF CLUB & GLOF DRIVING RANGE
- **F** BETTING & GAMING
- **G** PROFESSIONAL OR SKILLS
- **H** FINANCE
- **I** OTHER SERVICE PROVIDER
- **J** LOGISTIC SERVICES

\+

- **K** RENTAL OR LEASING
- **L** CONSTRUCTION
- **M** EDUCATION

Item 14 – 16
- Private Healthcare Services

3

EXPANSION SCOPE

1. **FINANCE** (Kump. H)
2. **Private Healthcare Services** (Kump. I)
3. **RENTAL OR LEASING** (Kump. K)
4. **CONSTRUCTION** (Kump. L)
5. **EDUCATION** (Kump. M)

FINANCIAL SERVICES

GROUP H : FINANCIAL SERVICES

CHANGES IN THE SCOPE OF SERVICE TAX ON FINANCIAL SERVICES

Present Scope		Scope of Tax Expansion		
GROUP G				
Consultation	→	Consultation (Financial)		
Management	→	Management (Financial)		
Digital	→	Digital (Financial)		
GROUP H		**GROUP H**		
Credit Card and Charge Card	→	Credit Card and Charge Card		
GROUP I				
Insurance / Takaful	→	Insurance/ Takaful		
Brokerage or underwriting	→	Brokerage (Financial) or underwriting		

All of the Scope of Tax Expansion items above are grouped into:

GROUP H (FINANCIAL SERVICES)

- Credit Card and Charge Card
- Insurance/ Takaful
- Financial Services for Fees or Commissions **(Regulated Persons)**
- Financial Services for Fees or Commissions **(non-Regulated Persons)**

SCOPE OF SERVICE TAX EXPANSION

GROUP H- FINANCIAL SERVICE

NO	TAXABLE PERSON	TAXABLE SERVICE
1	Person Regulated by the Central Bank of Malaysia	Provision of line of credit or shariah compliant financing services through the activation of a primary credit card, primary charge card, supplementary credit card or supplementary charge card, whether or not subject to an annual fee **Scope & Exclusion:** No changes
2	Person who is regulated by: (a) Central Bank of Malaysia; or (b) Labuan Financial Services Authority	Provision of insurance or takaful services for protection against any risk in Malaysia borne by an individual or businesses **Scope & Exclusion:** - No changes, except for re-insurance & re-takaful (taxable)

13

SCOPE OF SERVICE TAX EXPANSION

GROUP H- FINANCIAL SERVICE

NO	TAXABLE PERSON	TAXABLE SERVICE
3	Person who is regulated by: (a) Central Bank of Malaysia; (b) Securities Commision Malaysia; or (c) Labuan Financial Services Authority	Provision of financial services charged for fees, commissions or similar payments.
4	Any person excluding the person specified in item 3	Provision of similar financial services charged for fees, commissions or similar payment include the following services: • Factoring, • Financial leasing, • Trade financing, • Credit facility, and • Shariah compliant financing.

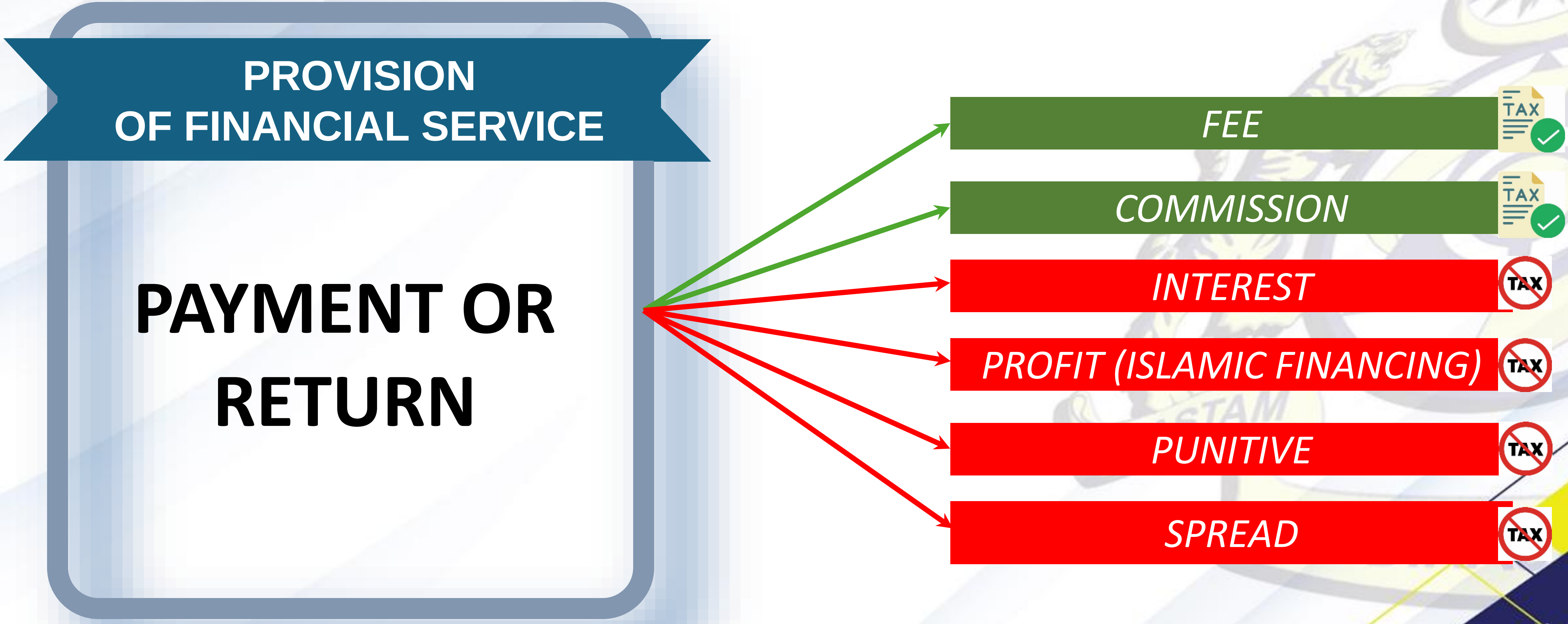
OUT OF SCOPE FROM SERVICE TAX

SPECIFIC PAYMENT OR RETURN

SPECIFIC FINANCIAL SERVICES

- NON-TAXABLE SERVICES
- EXCLUDED FROM THE REGISTRATION THRESHOLD

OUT OF SCOPE FROM SERVICE TAX



OUT OF SCOPE FROM SERVICE TAX

1. Basic banking services (related to saving account, current account & e-wallet)
2. Financial services related to goods, land, or matters outside Malaysia (excluding outward remittance)
3. Financial services related to goods for export

17

OUT OF SCOPE FROM SERVICE TAX

4. Brokerage or underwriting services to individual (related to medical & life insurance / takaful)

5. Line of credit services that charge fees for the activation or renewal of a credit card or charge card

6. Financial services provided by Federal Government, State Governments and Local Authorities* (*from 1 July to 30 Sept 2025)

EXEMPTION FROM PAYMENT OF SERVICE TAX

SPECIFIC FINANCIAL SERVICES

SPECIFIC PERSON

- TAXABLE SERVICES
- INCLUDED IN THE REGISTRATION THRESHOLD

19

EXEMPTION FROM PAYMENT OF SERVICE TAX

Liability of Service Recipient

Service Recipient:

1. Comply with all the conditions set by the Minister.
2. Pay the service tax if any non-compliance occurs.
3. Issue an Letter of Undertaking (LOU) to the service provider before an acquisition is made (specific service recipients).
4. Notify the service provider if there is any changes on the exemption status.

Content of Undertaking Letter:

1. Details of service recipient.
2. Details of service provider.
3. List of exempt services acquired
4. Disclaimer: The service recipient shall be liable for any tax payable arising from non-compliance.

EXEMPTION FROM PAYMENT OF SERVICE TAX

Liability of Service Provider

Service Provider:

1. Not to charge service tax on the exempted services.
2. Keep the undertaking letter and provide it to the DG upon requested.
3. Issue an invoice to the exempted person.
4. Declare the exemption services in the tax return.

Content of Invoice Issued:

1. Full format.
2. Detail of the recipient (name, address and ST registration no.), and
3. Amount of service tax exempted

22

EXEMPTION FROM PAYMENT OF SERVICE TAX

ANY PERSON

1. Brokerage services
2. Wakalah fee
3. Non-reviewable contract

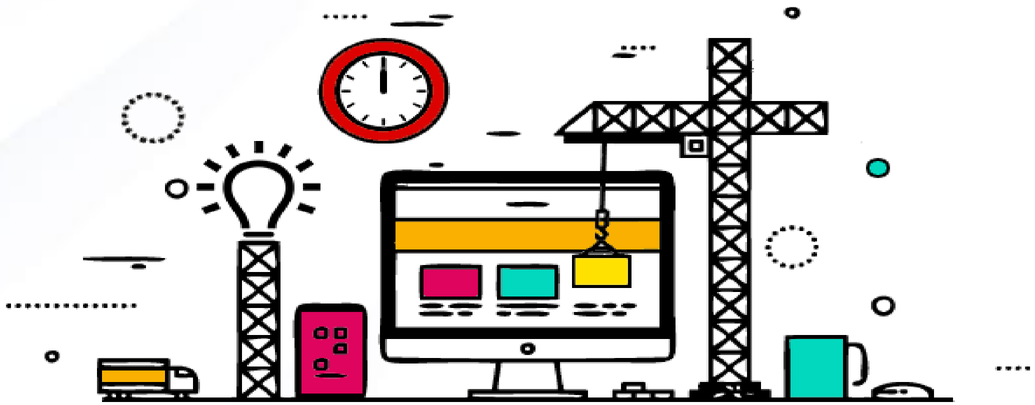
FINANCIAL SERVICES PROVIDER (FSP)

4. Registered FSP
5. Islamic FSP
6. Labuan FSP
7. Stock Broker

SPECIFIC PERSON

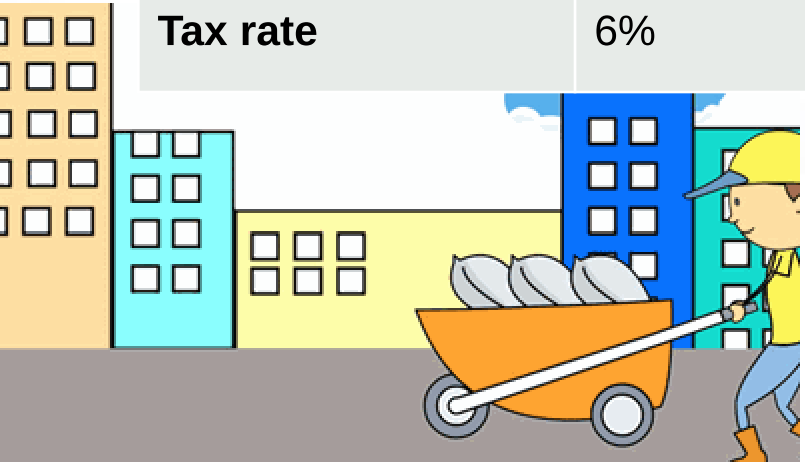
8. Issuer or Listed Companies
9. Federal Government, State Governments & Local Authorities

CONSTRUCTION



GROUP L : CONSTRUCTION

CONSTRUCTION	
Taxable Person	Any person who provides construction services
Taxable Service	Provision of any construction works services excluding the construction of a residential building and public facility related to the residential building ➢ For the purposes of Group L, the residential building and public facility related to the residential building referred to in column (2) shall not include a residential building and public facility related to the residential building approved for the purposes of mixed development by a local authority.
Threshold	RM 1.5 Million
Tax rate	6%



GROUP L : CONSTRUCTION

Taxable Services

"construction works" means the construction, extension, installation, repair, renewal, removal, renovation, alteration, dismantling, demolition of, or facility maintenance in the construction works period --

(a) any building, erection, edifice, structure, wall, fence or chimney, whether constructed wholly or partly above or below ground level;
(b) any road, harbour works, railway, cableway, canal or aerodrome;
(c) any drainage, irrigation or river control works;
(d) any electrical, mechanical, petrochemical, telecommunication works;
(e) any gasworks or waterworks; or
(f) any bridge, viaduct, dam, reservoir, earthworks, pipeline, sewer, aqueduct, culvert, drive, shaft, tunnel or reclamation works,

which includes:

i) any works which form an important and integral part of or are preparatory to or temporary for the works specified in paragraphs (a) to (f);
ii) Any construction work services for residential buildings constructed on land designated for or approved by local authorities for mixed-use development.

GROUP L : CONSTRUCTION

Mixed residential building and public facility related to the residential building approved for the purposes of mixed development by local authority

Solely residential building and public facility related to the residential building

GROUP L : SERVICE TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) (AMENDMENT) ORDER 2025

(1)
Item No.

(2)
Persons

(3)
Service Exempted

9.	The taxable person specified in column (1) of Group L, in the the Service Tax Regulations 2018	The taxable service specified in column (2) of Group L, in the First Schedule to the Service Tax Regulations 2018	*(a)* The taxable person referred to in column (2) is a registered person; *(b)* The taxable service referred to in column (3) is provided by a registered person who is the taxable person specified in column (1) of Group L, in the ... 2018;

SERVICE TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) (AMENDMENT) ORDER 2025

(4)
Conditions

(a) The taxable person referred to in column (2) is a registered person;

(b) The taxable service referred to in column (3) is provided by a registered person who is the taxable person specified in column (1) of Group L, in the First Schedule to the Service Tax Regulations 2018;

(c) The taxable service referred to in column (3) is the same taxable service provided by the taxable person referred to in column (2); and

(d) The taxable service referred to in column (3) is not for personal consumption by the taxable person stated in column (2)

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Federal & State Government

Local Authority

***Until 30/09/2025**

Services provided or acquired starting from 1 October 2025 are subject to service tax.

Exemption from charging and paying service tax

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Non Reviewable Contract Exemption from charging and paying service tax

Exemption From Paying Service Tax For a Period of 1 Year From The Effective Date

***** with conditions***

SERVICE TAX EXEMPTION

Non-Reviewable Contract Conditions

a. The service provider is a registered person for service tax

b. The contract does not contain a price revision clause or any value adjustment mechanism

c. The contract is made in writing, signed, and stamped by the Inland Revenue Board of Malaysia (LHDN) on or before 9 June 2025

SERVICE TAX EXEMPTION

Syarat - syarat *Non-Reviewable Contract*

d The contract clearly states:

(i) the type of service provided;
(ii) a fixed contract value (non-variable);
(iii) the contract duration; and

e The contract remains in force after 1 July 2025.

SERVICE TAX EXEMPTION

Syarat - syarat
Non-Reviewable Contract

f

If the contract includes a Variation Order (VO), the service tax exemption is eligible until 30 June 2026 if:

i. the variation relates to technical implementation and does not affect the overall contract value; and

ii. the variation has been incorporated into the contract through a written document signed and stamped by LHDN on or before 9 June 2025.

SERVICE TAX EXEMPTION

Syarat - syarat *Non-Reviewable Contract*

g If the contract includes an Extension of Time (EOT), the service tax exemption is eligible until 30 June 2026 if:

i. the EOT is based on the original contract that meets conditions (a) to (d);

ii. the original contract value remains unchanged;

iii. the original contract ends on or before 9 June 2025; and

i. the EOT document is signed and stamped by LHDN before the expiry of the original contract period.

RENTAL OR LEASING

GROUP K : RENTAL OR LEASING

Rental or Leasing	
Taxable Person	Any person who provides rental or leasing services
Taxable Service	Provision of all types of rental or leasing services of tangible assets including any other services which form part of the rental or leasing services except the provision of services— (i) for rental or leasing of housing accommodation; (ii) for rental or leasing of reading materials; (iii) for rental or leasing of tangible assets located outside Malaysia; or (iv) for leasing of tangible asset through a financial lease
Total value of taxable service	RM 1 Million

INTERPRETATION OF RENTAL OR LEASING

What is Rental or Leasing?

“**Rental or Leasing**” means granting the right to use a tangible asset from one party to another party for a period of time through an agreement whether written or verbal

LEGISLATIVE AMENDMENTS

IMPLICATIONS OF THE EXPANSION OF SERVICE TAX SCOPE ON CURRENT LEGISLATION

Service rental of space under item (c), column (2) of Group B in the First Schedule to the STR 2018 has become a taxable service under Group K, in the First Schedule to the STR 2018, effective from 1 July 2025

Service of hire and drive car, charter bus, excursion bus services under item 7 of Group I in the First Schedule to the STR 2018 have become taxable services under Group K in the First Schedule of the STR 2018

Hire car services that were previously taxable under item 7 of Group I in the First Schedule to the STR 2018 will no longer be taxable services effective from 1 July 2025

SERVICE TAX TREATMENT ON RENTAL OR LEASING SERVICES

RENTAL OR LEASING SERVICES THAT ARE NOT TAXABLE SERVICES

Not Taxable

- Rental or leasing of housing accommodation
- Rental or leasing of reading materials
- Rental or leasing of tangible assets located outside Malaysia
- Leasing of tangible asset through a financial lease

SERVICE TAX (PERSON EXEMPTED FROM PAYMENT OF TAX) ORDER 2018: RENTAL OR LEASING

EXEMPTION FROM PAYMENT OF TAX FOR RENTAL OR LEASING SERVICES

Exemption From Payment Of Tax

Conditions:

- The service is exempted under Group K: Rental or Leasing
- Both the recipient and provider of the service are registered persons under Group K: Rental or Leasing
- The exempted service is the same as the one received
- Used for sub-leasing or sub-renting, and not for own use

SERVICE TAX (PERSON EXEMPTED FROM PAYMENT OF TAX) ORDER 2018: RENTAL OR LEASING

NON COMPLIANCE WITH SERVICE TAX EXEMPTION CONDITIONS

What happens when the lessee is unable to sublet or sublease?

"

- The lessee (a person exempted from paying service tax) is **only eligible for the service tax exemption on the portion that can be sublet or sublease**;
- In the case of **no sublet or sublease in any month**, the lessee (a person exempted from service tax) shall :

  i. account for the service tax **AND**

  ii. pay the service tax in accordance with his taxable period

"

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Federal & State Government

Local Authority

***Until 30/09/2025**

Services provided or acquired starting from 1 October 2025 are subject to service tax.

Exemption from charging and paying service tax

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Non Reviewable Contract Exemption from charging and paying service tax

Exemption From Paying Service Tax For a Period of 1 Year From The Effective Date

** *with conditions*

SERVICE TAX EXEMPTION

Non-Reviewable Contract Conditions

a The service provider is a registered person for service tax

b The contract does not contain a price revision clause or any value adjustment mechanism

c The contract is made in writing, signed, and stamped by the Inland Revenue Board of Malaysia (LHDN) on or before 9 June 2025

SERVICE TAX EXEMPTION

Non-Reviewable Contract Conditions

d The contract clearly states:

- the type of service provided;
- a fixed contract value; and
- the contract duration

e The contract remains in force after 1 July 2025.

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Small & Micro Enterprise (SME)

- Annual Sales Not Exceed RM1 Mil

Exemption From Paying Service Tax

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Group Relief

- ***Group relief for rental or leasing services provided by one company to another company within the same corporate group.***

Exemption From Paying Service Tax

SERVICE TAX EXEMPTION

EXEMPTION UNDER POWER OF MINISTER

Service tax exemption for rental or leasing services of aircraft (excluding drones) and ships (excluding floating platforms).

Exemption From Paying Service Tax

ANNOUNCEMENT AT PORTAL MYSST

Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences:

(a) Late registration
(b) Late submission of returns
(c) Late payment
(d) Incorrect declaration (underdeclaration & underpayment)
(e) Any errors related to invoices, credit notes, or debit notes

Conditions

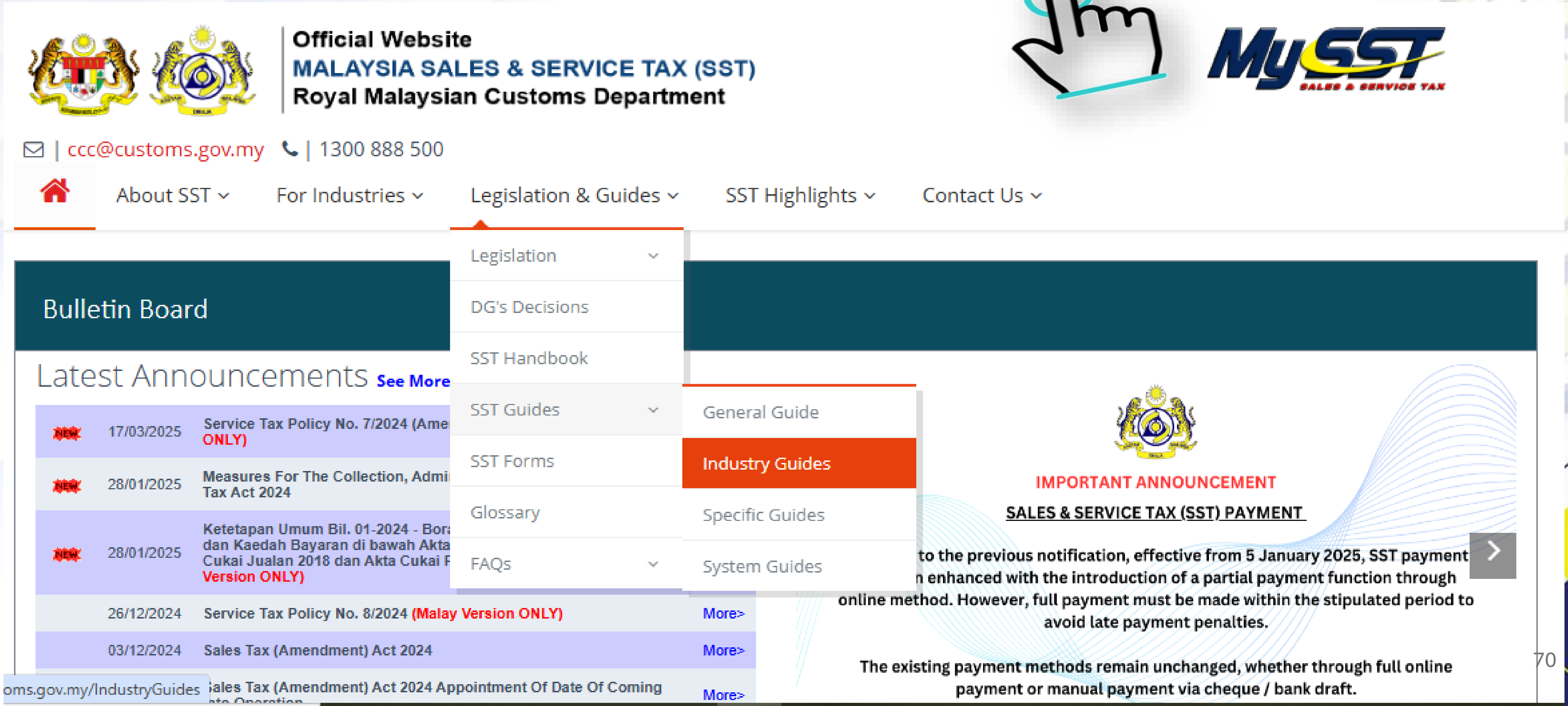
a — (a) The offence involved is detected by the Royal Malaysian Customs Department (RMCD) or the company makes a voluntary confession or declaration regarding the offence.

b — (b) The exemption does not apply to fraud offences or offences committed intentionally.

c — (c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.

INFORMATION OF SERVICE TAX

https://mysst.customs.gov.my/



4

INTRODUCTION OF CARBON TAX

Carbon Tax

Will be introduced in 2026

Focusing on sector:	Will be aligned with
1) Iron & Steel 2) Energy	1) The National Carbon Market Policy 2) The upcoming National Climate Change Act

THANK YOU

SEKIAN

TERIMA KASIH

https://mysst.customs.gov.my/

1-300-888-500

ccc@customs.gov.my