

A strategic move

- The six per cent service tax applies only to non-citizens, protecting Malaysian residents from increased healthcare costs.
- Despite concerns, Malaysia remains competitive globally due to its high-quality, affordable care — even with the tax included.
- SST compliance requirements are expected to accelerate digital transformation, billing transparency, and operational efficiency.



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MALAYSIA'S healthcare sector is renowned as a leader in Southeast Asia for high-quality medical services at affordable prices.

With the recent expansion of the Sales Tax and Service Tax (SST) effective Jul 1, 2025, private healthcare services, including Traditional & Complementary Medicine (TCM), and allied health services, are now subject to a six per cent service tax when provided to non-citizens.

While this may seem like a significant policy shift, the actual impact on industry and its stakeholders is expected to be minimal and manageable. More importantly, this move marks significant progress towards a growing healthcare ecosystem that aligns with global taxation standards.

UNDERSTANDING THE EXPANSION

The amendment, as outlined in the official documentation, brings private healthcare facilities under the SST framework. These include private hospitals, clinics, hospices, dialysis centres, and other healthcare-related facilities.

The tax applies only to services rendered to non-citizens, while Malaysian citizens remain exempt. This targeted strategy ensures that the new tax policy does not burden the majority of the population.

The distinction is crucial as it reflects the government's commitment

to protecting local access to healthcare while generating revenue from international patients who benefit from Malaysia's world-class medical services.

From a policy perspective, the inclusion of private healthcare in the SST framework is a logical and timely step. Historically, healthcare has often been exempted from indirect taxes in numerous countries.

However, that is changing as governments reassess their fiscal strategies. In Malaysia, the rapidly growing private healthcare sector and the consistent inflow of international patients have prompted a considered step to expand the tax base, while still maintaining affordability and accessibility.

The six per cent SST is unlikely to deter international patients, as Malaysia's private healthcare will remain attractive, thanks to its affordability, high standard of quality care, and internationally trained professionals.

When compared globally, Malaysia continues to offer excellent value, even after factoring in tax. This policy also reflects a broader trend of integrating healthcare into national revenue strategies without compromising accessibility for locals.

MEDICAL TOURISM

Concerns have been raised about the potential impact on Malaysia's medical tourism industry. Still, the available evidence suggests that these concerns are largely unfounded, as the modest service tax does not significantly impact the competitiveness of our country's healthcare pricing.

Furthermore, international patients choose Malaysia not just for its affordability, but also for the quality of care, short waiting times, and personalised service.

Moreover, the tax applies to a wide range of services, including medication, which may increase compliance requirements but does not significantly change the overall cost structure.

The government's policy to exempt citizens and impose the tax on international recipients is intended to ensure that domestic healthcare access remains unaffected. This exemption

contributes to Malaysia's position as a preferred destination for medical tourism.

OPERATIONAL ADJUSTMENTS

Admittedly, healthcare providers will need to adapt to new compliance requirements.

These include identifying international versus local patients, calculating taxable thresholds (which include exempt Malaysian transactions), charging the appropriate service tax, filing returns periodically, and remitting payments to the Royal Malaysian Customs Department (RMCD).

While this introduces additional administrative work, the government has provided a grace period until Dec 31, 2025, for companies to comply without facing penalties.

This transitional window allows providers to upgrade systems, train staff, and streamline processes. Many private healthcare providers already have the necessary infrastructure in place, including sophisticated billing and patient management systems.

With proper guidance and support, the sector can integrate SST compliance into existing workflows without significant disruption.

GREATER TRANSPARENCY

The expansion of SST to private healthcare also supports broader goals, including promoting transparency and accountability. It encourages providers to maintain accurate records, standardise billing practices, and engage more actively with regulatory frameworks.

This can lead to better data collection, improved service delivery, and enhanced trust among patients, both local and international. In the long run, these changes pave the way for a more professional, data-driven healthcare environment.

Accurate records, digitised systems, and standardised processes benefit everyone, from doctors to patients, regulators to international partners.

Rather than viewing the SST expansion as a constraint, healthcare providers are recommended to see it as an opportunity to innovate.

The need for more precise patient segmentation and billing transparency may drive digital transformation, including the adoption of electronic medical records, automated tax calculations, and integrated compliance dashboards.

These improvements not only ease the administrative load but also enhance patient experience. International patients, in particular, will benefit from clearer pricing structures and more professional service delivery.

Providers who embrace these changes can differentiate themselves in a competitive market and potentially attract more international clientele.

APPROACH AND OPENNESS

The rollout of this tax reform has not happened in isolation. The government's approach to this tax reform has been consultative and considerate. Engagements with industry associations and tax agents have shaped the legislation to minimise disruption.

Relief measures for micro, small, and medium enterprises (MSMEs) are in place, and public announcements, FAQs, and guidelines are being issued to support implementation.

This collaborative approach shows a commitment not just to revenue generation, but to fairness and long-term partnership with the private sector. It also signals that the government remains open to feedback, refinement, and support where needed.

REGIONAL OVERVIEW

To better understand the implications of Malaysia's six per cent service tax on private healthcare for non-Malaysians, it is helpful to compare it with similar regimes across the Asia-Pacific region.

Countries in the region adopt a variety of approaches to taxing healthcare services, often reflecting their broader fiscal strategies and healthcare models.

For instance, Singapore imposes a nine per cent GST on all private healthcare services, while Indonesia applies a 12 per cent VAT on premium health services. In contrast, Thailand exempts most healthcare services from VAT to promote medical tourism.

Malaysia's six per cent SST rate model - low-rate, citizen-exempt - strikes a unique balance. It encourages fiscal responsibility while preserving the country's healthcare affordability and tourism appeal. It's a middle ground that strengthens both competitiveness and public trust.

STEPS FORWARD

Ultimately, this expansion of SST marks more than just a new tax obligation. It reflects Malaysia's progress toward a more transparent, accountable, and future-ready healthcare system. By focusing on international recipients while shielding local patients, the government is making a strategic move that supports national growth without sacrificing public well-being.

Yes, there will be adjustments - but they are manageable. The private healthcare sector is resilient, capable, and well-equipped to evolve. And with the right tools and guidance, it can rise to meet this change - stronger, smarter, and more connected than ever.

This isn't just about tax. It's about building a healthcare system that meets global expectations and gains the patients' trust. - **The HEALTH**

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