



Tax Whiz

Tax highlights from your advisers

Proposed Increase in Service Tax Rate – Transitional Rules

Based on the Royal Malaysian Customs Department (“RMCD”) handholding session on 22 January 2024

KPMG in Malaysia

23 January 2024

Proposed Increase in Service Tax Rate – Transitional Rules



Further to our Tax Whiz dated 15 January 2024 ([click here](#)) on the proposed increase in Service Tax Rate and Expansion of Taxable Services, the Royal Malaysian Customs Department (“RMCD”) conducted a handholding session on 22 January 2024.

Based on the latest handholding session by RMCD, we set out below the salient points on the transitional rules. Please note that these policies/ points by RMCD remains to be drafts/ proposals and are still under review by the Minister of Finance.

Proposed Effective Date: 1 March 2024

Key points:

1. The Service Tax treatment for transitional purposes are categorized into three (3) broad categories, i.e.:
 - a) Taxable services provided in full before effective date
 - b) Taxable services provided in full post effective date
 - c) Taxable services provided spanning effective date
2. Businesses need to identify the categories mentioned above as different Service Tax treatment would apply (depending on the accounting basis – payment or invoice basis).
3. Generally, the taxable services provided before effective date would be subject to Service Tax at the rate of 6% whereas taxable services provided post effective date would be subject to Service Tax at the rate of 8%.
4. Special facility (i.e. Service Tax remains at 6%) is provided for situation where Service Tax is due before the effective date, and such taxable services are to be provided between 1 March 2024 and 31 August 2024.

Please see next page for details.

(a) Taxable services provided in full before effective date

- Payment received/ invoice issued for taxable services to be provided before 1 March 2024, the tax rate will be at 6%

Service Tax due (Section 11)		Taxable services provided in full before effective date
		Before 1 March 2024
Payment Basis	Payment received before 1 March 2024	6%
	Payment received post 1 March 2024	6%
Invoice Basis	Invoice issued before 1 March 2024	6%
	Invoice issued post 1 March 2024	6%

(b) Taxable services provided in full post effective date


- Payment received/ invoice issued before 1 March 2024 for taxable services to be provided within 6 months from 1 March 2024, the tax rate will be at 6%
- Payment received/ invoice issued before 1 March 2024 for taxable services to be provided after 6 months from 1 March 2024, the tax rate will be at 8%

Service Tax due (Section 11)		Taxable services provided in full post effective date	
		1 March 2024 to 31 August 2024 (6 months)	Post 1 September 2024
Payment Basis	Payment received before 1 March 2024	6%	8%*
	Payment received post 1 March 2024	8%	8%
Invoice Basis	Invoice issued before 1 March 2024	6%	8%*
	Invoice issued post 1 March 2024	8%	8%

Note*: To issue Debit Note and the Service Tax is due at the time when the Debit Note is issued

(c) Taxable services provided spanning effective date

- Taxable services provided before 1 March 2024, the tax rate will be at 6%
- Taxable services provided post 1 March 2024, the tax rate will be at 8%
- **NO FACILITY is provided**

Service Tax due (Section 11)		Taxable services spanning effective date	
		Up to 29 February 2024	Post 1 March 2024
Payment Basis	Payment received before 1 March 2024	6%	8%*
	Payment received post 1 March 2024	6%#	8%*
Invoice Basis	Invoice issued before 1 March 2024	6%	8%*
	Invoice issued post 1 March 2024	6%#	8%

Note*: To issue Debit Note and the Service Tax is due at the time when the Debit Note is issued

Note #: The RMCD handholding session did not explicitly cover this scenario, however we believe it should be 6%

(d) Imported taxable services received in full before effective date

- Imported taxable services received in full before 1 March 2024, the tax rate will be at 6%

Service Tax due (Section 11)	Imported taxable services received in full before effective date
Earlier of invoice received or payment made:	Before 1 March 2024
Before 1 March 2024	6%
Post 1 March 2024	6%

(e) Imported taxable services received in full post effective date**Facility**

- Imported taxable services due before 1 March 2024 for taxable services received within 6 months from 1 March 2024, the tax rate will be at 6%
- Imported taxable services due before 1 March 2024 for taxable services received after 6 months from 1 March 2024, the tax rate will be at 8%

Service Tax due (Section 11)	Imported taxable services received in full post effective date	
Earlier of invoice received or payment made:	1 March 2024 to 31 August 2024 (6 months)	Post 1 September 2024
Before 1 March 2024	6%	8%^
Post 1 March 2024	8%	8%

^To amend the previous return/declaration submitted.

(f) Imported taxable services spanning effective date

- Imported taxable services received before 1 March 2024, the tax rate will be at 6%
- Imported taxable services received post 1 March 2024, the tax rate will be at 8%
- NO FACILITY is provided**

Service Tax due (Section 11)	Imported taxable services received spanning effective date	
Earlier of invoice received or payment made:	Up to 29 February 2024	Post 1 March 2024
Before 1 March 2024	6%	8%
Post 1 March 2024	6%#	8%

Note #: The RMCD handholding session did not explicitly cover this scenario, however we believe it should be 6%

Taxable Persons Providing Taxable Services with Different Service Tax Rates (6% and 8%)

Where a taxable person provides taxable services which are subject to Service Tax at both 6% and 8%, the taxable person is required to identify the value of each taxable service and itemize them in the Service Tax invoice and quotation.

Taxable Person	Service Tax Rate	
	6%	8%
Group A – Accommodation	<ul style="list-style-type: none"> • Food and beverage • Telecommunication services • Parking • Logistics • Other services within the establishment under Group B • Sale of tobacco related products as well as alcoholic and non-alcoholic beverages under Group B 	<ul style="list-style-type: none"> • Accommodation premises • Others
Group B – Food and Beverage		<ul style="list-style-type: none"> • Others
Group C – Night Clubs, Dance Halls, Cabarets, Karaoke, Health and Wellness Centres, Massage Parlours, Public Houses and Beer Houses		<ul style="list-style-type: none"> • Others
Group D – Private Clubs		
Group E – Golf Club and Golf Driving Range		
Group I (Item 2) – Telecommunication Services	<ul style="list-style-type: none"> • Telecommunication services 	<ul style="list-style-type: none"> • Subscription broadcasting services • Digital services

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