



Tax Whiz

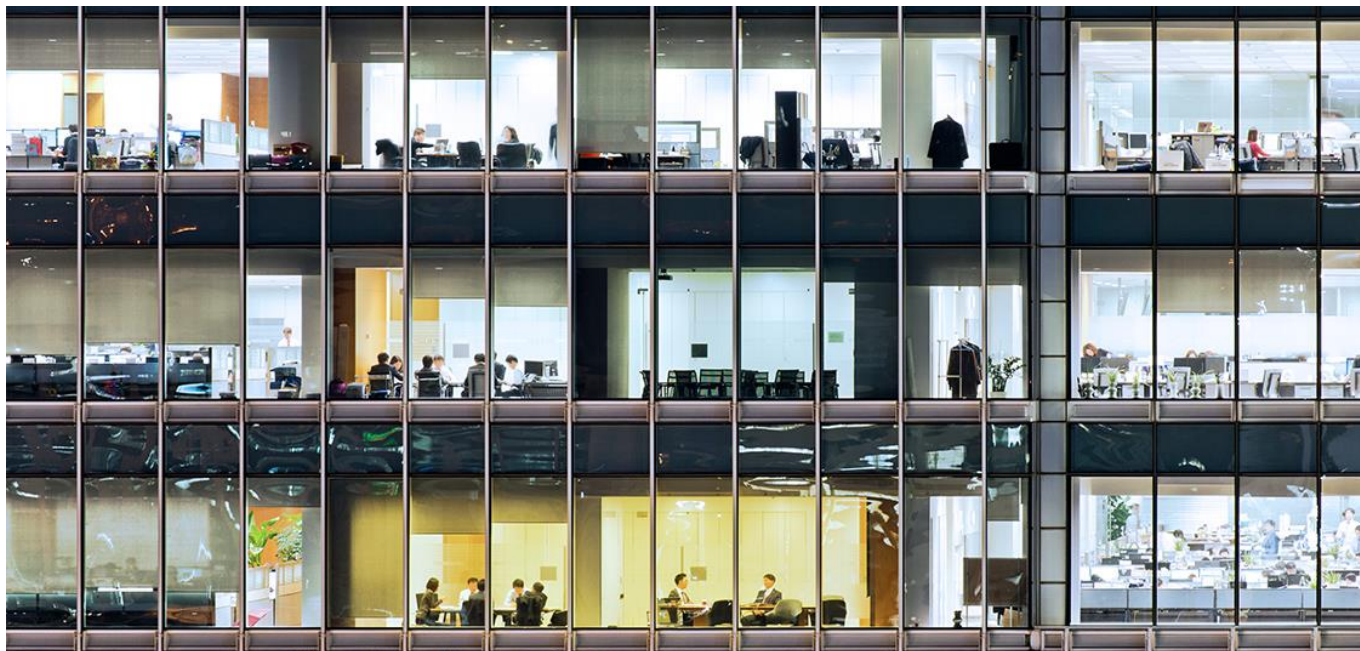
Tax highlights from your advisers

Service Tax Amendment Orders

KPMG in Malaysia

27 February 2024

Service Tax Amendment Orders



In view of the expansion of taxable services and the change in Service Tax rate from 6% to 8%, the following amendment Orders have been gazetted accordingly:-

- 1) Service Tax (Rate of Tax) (Amendment) Order 2024
- 2) Service Tax (Rate of Digital Services Tax) (Amendment) Order 2024
- 3) Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) (Amendment) Order 2024
- 4) Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2024

These Orders come into operation on **1 March 2024**.

We set out below a summary of the key amendments:-

1) Service Tax (Rate of Tax) (Amendment) Order 2024 2) Service Tax (Rate of Digital Services Tax) (Amendment) Order 2024

- The prevailing Service Tax rate will be increased from 6% to 8%, except for the provision of food and beverages services, telecommunication services, provision of parking place services and logistic services.
- Where the provision of taxable services (including digital services charged by foreign registered persons) spans 1 March 2024, Service Tax shall be charged at 8% for the taxable service provided post 1 March 2024. However, where payment is received before 1 March 2024 for taxable services provided post 1 March 2024, the Service Tax rate shall be 6%.
- Similarly, for imported taxable services spanning 1 March 2024, Service Tax shall be accounted for at 8% for the imported taxable services acquired post 1 March 2024. However, where Service Tax for imported taxable service is due before 1 March 2024 (i.e. invoice received or payment made, whichever is earlier) in relation to the imported taxable services acquired on/ after 1 March 2024, the Service Tax rate shall be 6%.
- For betting and gaming services, any payment received for taxable services provided post 1 March 2024, the Service Tax shall be at 8%.

You may refer to our earlier Tax Whiz ([here](#) for local taxable service and [here](#) for digital services provided by foreign registered person) for illustration.

3) Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) (Amendment) Order 2024

Whilst special rules apply to Designated Areas (“DAs”) and Special Areas (“SAs”), the provision of logistic services (as specified below) shall be chargeable to Service Tax:-

Services	Person
<p>a) Provision of all logistic services except—</p> <ul style="list-style-type: none"> i. delivery, distribution or transportation of goods including courier services of documents, packages or goods from a place outside Malaysia to a place outside Malaysia; ii. delivery, distribution or transportation of goods including courier services of documents, packages or goods from the last point of exit within Malaysia to a place outside Malaysia; iii. delivery, distribution or transportation of goods including courier services of documents, packages or goods from a place outside Malaysia to the first point of entry within Malaysia; iv. delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to another aircraft or vessel until the goods are transported in the aircraft or vessel and transported out of Malaysia; or v. delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to a customs warehouse, or a licensed warehouse, or a warehouse or other places approved by the Director General until the goods are transported in the aircraft or vessel and transported out of Malaysia <p>b) Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods except delivery of food and beverages provided by the person as specified in column (2) of item 4 of the Schedule;</p>	<p>1) Any person providing—</p> <ul style="list-style-type: none"> a. logistic services including all or part of the supply chain of logistic management services, warehousing or warehousing management services, freight forwarding services, port or airport services, shipping services, aviation services or cold chain facilities services; b. delivery, distribution or transportation of goods services; c. delivery, distribution or transportation of goods, documents or packages services through the E-Commerce platform including on behalf of any person; or d. courier services licensed under section 10 of the Postal Services Act 2012 [Act 741] <p>2) Any person who is approved to act as a customs agent under subsection 90(2) of the Customs Act 1967</p>

3) Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) (Amendment) Order 2024 (cont'd)

Services (cont'd)	Person (cont'd)
<p>c) Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods through the E-Commerce platform including on behalf of any person except delivery of food and beverages provided by the person as specified in column (2) of item 4 of the Schedule;</p> <p>d) Provision of services for the release of goods from customs control</p>	

- With the above amendments, the transportation of goods within or between DAs and SAs will be subject to Service Tax except where it can qualify for the exclusion. This is consistent with the Service Tax Regulations. Note that delivery of food and beverages by a food and beverage operator in SAs is also excluded.

4) Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2024

Service Tax “B2B exemption” has been expanded to cover the provision of logistic services under Group J, First Schedule to the Service Tax Regulations 2018:-

- The logistic service provider (specified in Group J) shall be exempted from payment of Service Tax on logistic services (specified in Group J), subject to meeting the following conditions:-
 - He is a registered person;
 - The logistic service acquired is provided by a registered person who is a taxable person specified in Group J;
 - The logistic service acquired is the same taxable service provided by him;
 - The taxable service acquired by him is not for personal consumption by him.
- It is noteworthy that the person must be providing the same logistic service acquired by him for the B2B exemption to apply. For instance, if a person acquires warehousing services to onward provide distribution services, whilst both services fall under the ambit of “logistic services” under Group J these may not be regarded as the “same taxable service” resulting in “tax on tax” on the logistic services.
- Also, it should be noted that the effective date for logistic services as one of the prescribed taxable services is 26 February 2024. However, the B2B exemption only takes effect from 1 March 2024. It remains to be seen on whether relaxation will be given for the 4 days gap to ease business operations.

Contact us

Petaling Jaya Office

Soh Lian Seng

Executive Director –
Head of Tax and Head of Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Long Yen Ping

Executive Director –
Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Tai Lai Kok

Executive Director –
Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

Ng Sue Lynn

Executive Director – Head of Indirect Tax
suelynnng@kpmg.com.my
+603 7721 7271

Bob Kee

Executive Director – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Outstation Offices

Penang Office

Evelyn Lee

Executive Director – Penang Tax
evewflee@kpmg.com.my
+603 7721 2399

Kuching & Miri Offices

Regina Lau

Executive Director – Kuching Tax
reglau@kpmg.com.my
+603 7721 2188

Kota Kinabalu Office

Titus Tseu

Executive Director – Kota Kinabalu Tax
titustseu@kpmg.com.my
+603 7721 2822

Johor Bahru Office

Ng Fie Lih

Executive Director – Johor Bahru Tax
flng@kpmg.com.my
+603 7721 2514

Ipoh Office

Crystal Chuah Yoke Chin

Associate Director – Ipoh Tax
ycchuah@kpmg.com.my
+603 7721 2714

KPMG Offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +603 7721 3388
Fax: +6088 363 022
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +603 7721 3388
Fax: +604 238 2299
Email: info@kpmg.com.my

Johor Bahru

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +603 7721 3388
Fax: +607 266 2214
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +603 7721 3388
Fax: +6082 530 669
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +603 7721 3388
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +603 7721 3388
Fax: +6085 321 962
Email: info@kpmg.com.my

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



kpmg.com.my/Tax

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.