



Tax Whiz

Tax highlights from your advisers

**Service Tax (Amendment)
Regulations 2024 – Expansion of
Taxable Services**

KPMG in Malaysia

27 February 2024

Service Tax (Amendment) Regulations 2024 – Expansion of Taxable Services



The Service Tax (Amendment) Regulations 2024 to effect the expansion of taxable services have been gazetted on 23 February 2024. It is important to note that the effective date is **26 February 2024**.

Below are the salient points of the taxable services that have been expanded.

Group A – Accommodation

Reference	Before	After
Column 2 item (c)	Provision of other services within the accommodation premises	Provision of other services within the <u>area or place of business under the control of service provider</u>

Group B – Food and Beverage

Reference	Before	After
Column 2 item (c)	Provision of other services other than services of rental of space within the establishment	Provision of other services other than services of rental of space within the <u>area or place of business under the control of service provider</u>

Observations:

1. The scope of taxable services for accommodation providers as well as food and beverage providers have been widened to include any other services outside the accommodation premises or establishment respectively but under the control of the service provider.
2. Service providers under Group A and Group B need to quickly assess all the services provided to ensure Service Tax is charged accordingly.

Group C – Night Clubs, Dance Halls, Cabarets, Karaoke Centre, Health and Wellness Centres, Massage Parlours, Public Houses and Beer Houses

Reference	Before	After
Column 1 item (1)(e)	-	Any karaoke centre
Column 2 item (a)	Provision of all services within the establishments	Provision of <u>all type of services</u>

Observations:

1. The taxable person under Group C has been expanded to include any karaoke centre.
2. The scope of taxable services under Group C have been widened to include all type of services, not limited within the establishments.
3. Group C providers need to quickly assess all the services provided to ensure Service Tax is charged accordingly.

Group E – Golf Club and Golf Driving Range

Reference	Before	After
Column 2 item (d)(vi)	Alcohol and non-alcoholic beverages	<u>Food</u> , alcoholic and non-alcoholic beverages

Observations:

1. The scope of taxable services under Group E have been amended to include provision or sale of food.
2. We believe this amendment is to make it clearer as currently Group E's taxable services also includes provision of any other taxable service specified in other Groups in the Schedule [item (b) in Column 2]

Group G – Professionals or Skills

Reference	Before	After
Column 1 item 13	-	Any person who provides maintenance or repair services
Column 2 item (g)(ii)	Provision of consultancy, training or coaching services in connection with – (A) goods or land situated outside Malaysia; or (B) matters outside Malaysia other than matters specified in (A)	Provision of <u>consultancy services</u> in connection with – (A) goods or land situated outside Malaysia; or (B) matters outside Malaysia other than matters specified in (A)

Group G – Professionals or Skills (cont'd)

Reference	Before	After
Column 2 item (i)(iv)	maintenance management services	[deleted – moved to item (n)]
Column 2 item (i)(v)	warehouse management services	[deleted – moved to Group J]
Column 2 item (i)(xiii)	the management services provided by any person, Government agency, local authority or statutory body for the purposes or religious, welfare, bereavement, burial, cemeteries, cremation, sewerage, water supply, health, transport, tourism or logistic services.	the management services provided by any person, Government agency, local authority or statutory body for the purposes or religious, welfare, bereavement, burial, cemeteries, cremation, sewerage, water supply, health, <u>public transport</u> or tourism services.
Column 2 item (n)	-	<p>Provision of any maintenance or repair services including maintenance management, corrective maintenance, preventive maintenance, calibration, adjustment, recondition, reconfigure or overhaul except –</p> <p>(i) maintenance management services related to land or building for the use of residential provided by any developer, joint management body, management corporation or residential association; or</p> <p>(ii) repair services on the residential building</p>

Observations:

1. Any person who provides maintenance or repair services is now a taxable person and liable to register for Service Tax under Group G (item 13) if he/ she provides the taxable service as prescribed under item (n).
2. In the past, corrective maintenance services was not subject to Service Tax but this is now subject to Service Tax, regardless whether there are any element of management involved. This expansion can have a wide impact on service providers particularly those who are currently registered under Group G and provide some form of maintenance or repair services as they would need to start charging Service Tax moving forward.
3. The exclusion accorded to training or coaching services in connection to land, goods or matters outside Malaysia have been removed. This would impact the Service Tax treatment for both the local services as well as imported taxable services.
4. Warehouse management services have been reclassified from Group G to Group J. The providers of such services should ensure that its system is updated to capture the new grouping status. One of the significant impact from this change is that group relief will no longer apply to warehouse management services provided to companies within the same group as there is no such facility under the new Group J.

Group I – Other Service Providers

Reference	Before	After
Item 3	Any person who is given permission to act as an agent under section 90(2) of the Customs Act 1967 - Provision of services for clearing of goods from customs control	[deleted – moved to Group J]
Item 6	Any person providing courier services who is licensed under section 10 of the Postal Services Act 2012 - Provision of courier delivery services for documents or parcels not exceeding 30 kilograms each, excluding...	[deleted – moved to Group J]
Column 2 Item 2(a)	Provision of telecommunication services and other services in connection with the telecommunication services...	Provision of telecommunication services and other services <u>including digital services</u> in connection with the telecommunication services...
Column 2 Item 12	The provision of services relating to financial services for the use or provision of brokering and underwriting	Provision of brokering or underwriting services except the provision of the following services: (a) brokering or underwriting services related to medical insurance or medical takaful borne by an individual (b) brokering or underwriting services related to life insurance policies or family takaful certificates borne by an individual; or (c) brokering or underwriting services related to goods, land or any other matters outside Malaysia

Observations:

1. Customs agent and courier services have been reclassified from Group I to Group J. The providers of such services should ensure that its system is updated to capture the new grouping status.
2. The scope of taxable services for brokering or underwriting services have been widened and no longer limited to financial services. This expansion can have a wide impact particularly when there is no further definition/ clarification of what constitute brokering or underwriting services in the legislation. Businesses would need to quickly assess and identify services which could potentially be viewed as brokering (e.g. arranging or negotiating) or underwriting services.

Group J – Logistic Services

A new Group J has been inserted for logistic services, as follows:

Taxable person	Taxable service	Total value of taxable service
<p>1. Any person providing—</p> <p>(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;</p> <p>(b) delivery, distribution or transportation of goods services;</p> <p>(c) delivery, distribution or transportation of goods, documents or packages services through the E-Commerce platform including on behalf of any person; or</p> <p>(d) courier services licensed under section 10 of the Postal Services Act 2012 [Act 741]</p>	<p>(a) Provision of all logistic services except—</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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</p>	<p>RM500,000</p>

Group J – Logistic Services (cont'd)

Taxable person	Taxable service	Total value of taxable service
	<p>(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> <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 a taxable person specified in column (1) of Group B; or</p> <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 a taxable person specified in column (1) of Group B</p>	
2. Any person who is approved to act as a customs agent under subsection 90(2) of the Customs Act 1967	Provision of services for the release of goods from customs control	Nil

Observations:

1. Group J is a new taxable service and based on the wide definition of taxable services prescribed in column 2, it appears that the intention is to cover all charges which involved movement of goods.
2. Based on Section 13 of the Service Tax Act 2018, any person who is liable to register for Service Tax shall apply for registration no later than the last day of the month following the month in which he is liable to be registered. Hence, affected businesses should start assessing its liability to register and charge Service Tax under Group J moving forward.

Group J – Logistic Services (cont'd)

Observations (cont'd):

3. Based on the Guide on Logistics Services, existing registered person under warehousing management services, courier services and/ or Customs agent who provides logistic services would need to charge Service Tax from the effective date. Although the Service Tax (Amendment) Regulations 2024 is effective 26 February 2024, it remains to be seen whether there will be any clarification or relaxation from the Royal Malaysian Customs Department (“RMCD”) on when businesses should start charging the Service Tax.
4. To mitigate tax cascading, there is “B2B exemption” for the provision of logistic services, subject to meeting conditions. Amongst others, a person can be exempted from paying Service Tax on the acquisition of logistic services provided he onward provides the same logistic service. Businesses are strongly advised to refer to the amendment to Service Tax (Persons Exempted from Payment of Tax) Order 2018 and the conditions attached to it to ensure they are able to enjoy such exemption.
5. Please refer to our earlier Tax Whiz [here](#) on the salient points set out in the earlier draft Guide on Logistics Services as at 7 February 2024.

Other Observations

- It is important to note that the Service Tax (Amendment) Regulations 2024 is effective 26 February 2024. Hence, affected businesses would need to quickly assess their transactions and configure their systems, documentation as well as communicate with their customers and suppliers on the impact of this expansion to the services provided.
- With new taxable services, there will also be transitional rules that need to be complied with. The general rule is that any new taxable services provided before the effective date is not subject to Service Tax; whereas it would be subject to Service Tax if it is provided post the effective date. However, where payment has been received before the effective date, such new taxable services even if provided on or after the effective date is not subject to Service Tax.
- There is no longer any grace period to wait and see, urgent action needs to be taken to ensure compliance with the necessary requirements. Do reach out to KPMG if you require assistance or discussion.

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