



# Sales Tax and Service Tax (SST)

## Expansion of scope 2025

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On 18 October 2024, the 2025 Budget was tabled and among the notable tax measures announced are:

1

Changes to the Sales Tax rate for specific goods

2

New taxable services under Service Tax

Subsequently, on 9 June 2025, the relevant Sales Tax and Service Tax legislations were gazetted to give effect to these measures.

The changes to the Sales Tax rate and the expansion of scope for Service Tax are expected to bring about a significant impact across various industries. Businesses that were previously outside of the SST net may now find themselves required to register and comply with the updated legislations, while others may face an increase in the overall cost of doing business.

With the implementation effective date set for **1 July 2025**, it is important for taxpayers to expeditiously and proactively assess the implications of these changes, and to begin planning early to navigate the complexities arising from a broader tax base.

## Key highlights of the SST expansion

A

### Sales Tax

- Sales Tax rates maintained at 0%, 5% and 10%
- Depending on the Harmonized System (HS) Code, more goods will now be taxed at 5% or 10%, though there are some taxable goods which will be exempted.
- The new Sales Tax rate shall be charged and levied on:
  - All manufactured taxable goods sold, used or disposed of; or
  - Goods imported into Malaysia**on or after 1 July 2025.** However, if the **invoice for the taxable goods is issued before 1 July 2025**, the old Sales Tax rate (0% / 5%) is applicable.
- Manufacturers who are now manufacturing taxable goods that fall under the new scope must register and charge Sales Tax.

B

### Service Tax

- The scope of Service Tax will be expanded to cover the following new service categories:
  1. Financial services – e.g. fees or commission charges
  2. Private healthcare services, traditional and complementary medicine services and allied health services – excluding Malaysian citizens
  3. Rental or leasing services – e.g. rental of commercial buildings, spaces, assets, equipment, goods etc.
  4. Construction services – excluding residential building (including common areas/ facilities)
  5. Education services – higher education (excluding Malaysian citizens) and private education
  6. Wellness / beauty services – e.g. facial treatment, manicure and pedicure, hairstyling etc.
- The effective implementation date is **1 July 2025**.
- For certain taxable services, intragroup relief, Business to Business (B2B) Exemption and transitional provisions for non-reviewable contracts are available, subject to meeting prescribed conditions.

## Key areas of consideration

- A Regulatory compliance** – Assess liability for SST registration and ensure updates are made to reflect the correct and accurate types of taxable goods and services.
- B Financial impact assessment** – Evaluate potential increases in tax liability and operating costs, assess the availability of exemptions, and plan for cash flow management.
- C Operational and system readiness** – Update the invoicing system to accurately capture the change in tax rates and the introduction of new taxable services (with different tax rates).
- D Customer and vendor communication** – Manage communications regarding potential price adjustments resulting from SST changes.

## How KPMG can help

Immediate

### Awareness

- Conduct a briefing on the SST expansion
- Conduct an assessment to identify the impact of the SST expansion against your business operations
- Identify possible SST exclusions/ exemptions for the company
- Assist to seek clarification from RMCD, if required
- Discuss with key stakeholders on the next steps

### Implementation

- Assist with registration and compliance
- Advise the requirements of SST and provide ad-hoc advisory, as needed
- Advise on areas to look out for including transitional rules and anti-profiteering consideration

Longer term

### Sustainability

- Review internal policies from an indirect tax perspective
- Conduct health check to identify potential areas of non-compliance
- Assist with lobbying the Ministry of Finance/ RMCD on long-term indirect tax issues
- Issue periodic Tax Whiz and customized training/ briefings

## Connect with us



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