



TAX FLASH

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Transitional Provisions – 6% or 8% Service Tax

Recently, the Royal Malaysian Customs Department [“RMCD”] has issued a *draft guide providing guidance on the transitional issues due to the proposed change of the service tax rate from 6% to 8% effective 1st March 2024*. However, the new rate of 8% will not be applicable to the following four (4) special categories in which the old rate of 6% shall continue to be applied on these essential services:-

- Group B : Food and beverage;
- Group I : Telecommunication services;
- Group I : Vehicle parking space services; and
- Group J : Logistics services

Although the draft guide, which is accessible via the RMCD’s website (<https://mysst.customs.gov.my/>), may still be subject to changes upon finalisation, we would like to share with you some of the pertinent points extracted from the draft guide with regards to the application of 6% or 8% service tax during this transitional period in respect of the taxable services other than the special categories as mentioned above.

A. Provision of Local Services

To determine whether the service tax rate of 6% or 8% shall apply, one has to be mindful of when the services are rendered.

- If the services are rendered before 1st March 2024, 6% service tax shall apply (even if the invoice is issued after 1st March 2024). In this case, the issuer of the invoice (i.e. the service provider) must provide documentary evidence to support the actual date or period of rendering the services in the event of a service tax audit by RMCD.
- If the services are rendered on or after 1st March 2024, 8% service tax shall apply, save and except for the situation where the payment for such services has been received before 1st March 2024. In this case, 6% will continue to be levied on the payment received for the services rendered after 1st March 2024. However, in the absence of such payment, the services rendered on or after 1st March 2024 will be liable to the service tax of 8% and if an invoice has been issued with 6%, a debit note of 2% shall be issued to rectify the service tax rate.
- You may refer to the following table (*Jadual 7*) extracted from the draft guide dated 7th February 2024 (which is only available in our national language):-

	Sebelum 1.3.2024			Pada/selepas 1.3.2024			Kadar CP dikenakan
	Perkhidmatan Disediakan (RM)	Jumlah Invois Dikeluarkan (RM)	Jumlah Bayaran Diterima (RM)	Perkhidmatan Disediakan (RM)	Jumlah Invois Dikeluarkan (RM)	Jumlah Bayaran Diterima (RM)	
1	2,000	12,000	12,000	10,000		-	6% x RM12,000
2	6,000	36,000	18,000	30,000		18,000	6% x RM6,000 6% x RM12,000 8% x RM18,000
3	2,000	12,000	-	10,000		12,000	6% x RM2,000 8% x RM10,000
4	6,000	36,000	-	30,000		36,000	6% x RM6,000 8% x RM30,000

B. Acquisition of Overseas Services (i.e. Imported Taxable Services)

To determine whether the service tax rate of 6% or 8% shall be accounted for by the recipient of the services, one has to take note of the following:-

- If either the date of payment made or the date of invoice received falls before 1st March 2024, 6% service tax shall be accounted for by the recipient of the imported taxable services.
- If both the date of payment made and the date of invoice received fall on or after 1st March 2024, the recipient of the imported taxable services shall account for the service tax based on the new rate of 8%, unless the services are acquired by the recipient before 1st March 2024, then 6% will continue to be accounted for on such services acquired before 1st March 2024.
- You may refer to the following table (*Jadual 9 and Jadual 12*) extracted from the draft guide:-

Sebelum 1.3.2024			Pada/selepas 1.3.2024			Kadar CP dikenakan
Perkhidmatan Bercukai Diimport Diperoleh (RM)	Jumlah Invois Diterima (RM)	Jumlah Bayaran Dibuat (RM)	Perkhidmatan Bercukai Diimport Diperoleh (RM)	Jumlah Invois Diterima (RM)	Jumlah Bayaran Dibuat (RM)	
10,000	-	-	-	10,000 (genap masa)	10,000	6% x RM10,000
Sebelum 1.3.2024			Pada/selepas 1.3.2024			Kadar CP dikenakan
Perkhidmatan Bercukai Diimport Diperoleh (RM)	Jumlah Invois Diterima (RM)	Jumlah Bayaran Dibuat (RM)	Perkhidmatan Bercukai Diimport Diperoleh (RM)	Jumlah Invois Diterima (RM)	Jumlah Bayaran Dibuat (RM)	
-	-	4,000 (genap masa)	10,000	10,000	6,000 (genap masa)	6% x RM4,000 8% x RM6,000
-	2,000 (genap masa)	2,000	10,000	8,000 (genap masa)	8,000	6% x RM2,000 8% x RM8,000

As this update is provided based on the draft guide published by RMCD, do watch out for our subsequent updates upon issuance of the final guide by RMCD or browse through the RMCD's website for the latest news.

Expansion of the Scope of Taxable Services for Service Tax

Flashing back on the 2024 budget announcement made by our Prime Minister cum Finance Minister Dato' Seri Anwar Ibrahim on 13th October 2023, it was proposed that the scope of taxable services for service tax be expanded to include the following new types of taxable service with effect from 1st March 2024:-

- **Group C : Night-Clubs, Dance Halls etc**
 - Karaoke centre services.

- **Group I : Other Service Providers**
 - Delivery services (except for delivery of food and beverage);
 - Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity and real estate; and
 - Logistics services.

Having said the above, based on the [Service Tax \(Amendment\) Regulations 2024](#) ["the Regulations"] that has been gazetted on 23rd February 2024, the scope of the taxable services for service tax has been expanded to include the following new type of taxable services with effect from **26th February 2024**:-

- **Group C : Night-Clubs, Dance Halls etc**
 - Provision of karaoke centre services.

- **Group G : Professionals or Skills**
 - Provision of any maintenance or repair services including maintenance management, corrective maintenance, preventive maintenance, calibration, adjustment, recondition, reconfigure or overhaul except for—
 - 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
 - repair services on the residential building.

[Note: Effective 26th February 2024, the scope of maintenance management services for service tax purposes will significantly be expanded to include not only preventive maintenance which was previously the sole focus, but also corrective maintenance. This broader spectrum now encompasses services such as calibration, adjustment, reconditioning, reconfiguration and overhauling. This change marks a substantial shift in the scope of maintenance management services, underscoring the importance of staying informed and prepared for compliance with these updated tax obligations.]

- Provision of training or coaching services in connection with the following will no longer fall outside the scope as taxable services:-
 - Goods or land situated outside Malaysia; or
 - Matters outside Malaysia other than goods or land situated outside Malaysia.

- **Group I : Other Service Providers**
 - Provision of brokering or underwriting services except for the provision of the following services—
 - brokering or underwriting services related to medical insurance or medical takaful borne by an individual;
 - brokering or underwriting services related to life insurance policies or family takaful certificates borne by an individual; or
 - brokering or underwriting services related to goods, land or any other matters outside Malaysia.

- **Group J : Logistics Services**

- Provision of all logistics services except for delivery, distribution or transportation of goods including courier services of documents, packages or goods—
 - from a place outside Malaysia to a place outside Malaysia;
 - from the last point of exit within Malaysia to a place outside Malaysia;
 - from a place outside Malaysia to the first point of entry within Malaysia;
 - 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
 - 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.
- Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods except for delivery of food and beverages provided by a taxable person specified in column (1) of Group B to First Schedule of the Regulations;
- 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 for delivery of food and beverages provided by a taxable person specified in column (1) of Group B to First Schedule of the Regulations.

Further, it is noteworthy that the courier services and Customs agent services have been reclassified from Group I to Group J to First Schedule of the Regulations.

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