MOORE Advent

TAX FLASH

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Navigating the Post 9th June 2025 SST Expansion - Practical Next Steps for Businesses

Subsequent to the Government's announcement expanding the scope of imposition of the Sales and Service Tax ["SST"] on 9th June 2025 and the release of our Tax Flash – June 2025 (Special Edition) on the following day, we have been fielded with a surge of enquiries about the new taxable services, registration thresholds, non-reviewable contracts and the related compliance questions. For businesses that have never registered for SST or whose tax experience centres on corporate income tax, these changes add another layer of responsibility on top of the on-going e-invoice rollout for directors and the relevant personnel tasked with managing their company's tax affairs.

Service Tax

For a quick reference, the table below summarises the newly taxable service categories, their applicable service tax rates and the corresponding registration thresholds:-

New Taxable Service	Service Tax Rate	Registration Threshold [12-Month Period]
Education	6%	RM NIL
Construction Works	6%	RM1,500,000
Healthcare, Allied Health	6%	RM1,500,000
Rental or Leasing	8%	RM500,000
Finance	8%	RM500,000
Beauty	8%	RM500,000

Given the fact that these services become taxable on 1st July 2025, many business owners believe that they must register for service tax immediately and charge the applicable service tax with effect from the aforesaid date. Existing service tax registrants likewise believe that they must begin charging the newly covered services on 1st July 2025.

- Moore Malaysia
- Moore Global
- Royal Malaysian Customs Department

To address the above, please refer to the following quick reference timeline:-

Who?	What must they do?	When?
Existing service tax registrants	Start imposing 6% or 8% service tax on the new taxable service after adding it in the MySST portal between 24th June 2025 and 30th June 2025 (no further registration is required)	1st July 2025
Businesses not yet registered	Register once the new taxable service turnover exceeds RM500,000 / RM1,500,000, say in July 2025 (note)	By 31st August 2025
	Begin charging 6% or 8% service tax from the effective date of registration	1st September 2025 onwards

Note: Businesses that are yet registered for service tax are required to determine whether they are liable to be registered based on a rolling 12-month period (**not** based on financial year basis). If the value of the taxable services exceeds the relevant registration threshold in a particular month (i.e. Month 1), the business must apply for registration by the end of the following month (i.e. Month 2) and will become a registered person liable to charge service tax from the first calendar day of Month 3.

Our firm's representatives, working through various professional bodies, are in ongoing discussions with the Ministry of Finance ["MOF"] and the Royal Malaysian Customs Department ["RMCD"] to clarify key technical matters, such as the following:-

i. Non-Reviewable Contracts

Confirmation of the conditions under which the 12-month exemption from 1st July 2025 applies.

ii. Business Test for Individual Landlords

Whether individual landlords who merely lease out commercial property without active or ancillary services are deemed to be carrying on a business or not for service tax purposes, as the scope of charge under Section 7 of the Service Tax Act 2018 provides that a tax to be known as service tax shall be charged and levied on any taxable service provided in Malaysia by a registered person in carrying on his business.

iii. Micro, Small and Medium Enterprise ["MSME"] Relief for Rental Charges

Criteria and application mechanism that would allow MSME to be exempted from service tax on rental payments.

iv. Non-Applicability of Group Relief on Rental or Leasing Services

Group relief for rental or leasing services was not included in the recent amendments to the Service Tax Regulations 2018. This omission may have been an oversight by the Government especially considering that the presentation slides published by the MOF appeared to indicate otherwise.

v. Business-to-Business ["B2B"] Exemption

The B2B exemption applies to some of the services under the expanded scope of SST. However, businesses should take note that one of the key conditions for the B2B exemption is that both the service provider and the service recipient must be registered persons under the same service tax group. For example, if the service provider is registered under Group K : Rental or Leasing but the service recipient is registered under a different group such as Group G : Professionals or Skills, the B2B exemption will not be applicable. Given the fact that the concept of B2B exemption is intended to alleviate additional service tax costs, it would be worthwhile for policy makers to consider extending the B2B exemption to inter-group transactions, for instance, the transactions between Group G and Group K registered persons.

Sales Tax

Effective 1st July 2025, a range of goods that were previously exempted will become taxable at either 5% or 10%. Manufacturers should first identify the correct Harmonized System ["HS"] tariff codes for their products, then verify those tariff codes against the updated taxable and exempt lists to confirm their status. Similar to the service tax registration, any business that is not registered for sales tax yet must do so once the total value of its taxable goods reaches the RM500,000 threshold within any rolling 12-month period.

The expanded scope of sales tax has inadvertently resulted in increased complexity and confusion regarding compliance matters. Under the current sales tax mechanism, exemption facilities are available for components and input raw materials used in the manufacturing of both taxable and exempted goods, subject to fulfilment of the pre-requisite conditions imposed by the Government. This creates significant challenges for businesses involved in the production of both taxable and non-taxable products as it complicates the segregation and compliance process. Therefore, further engagement with the relevant authorities is urgently needed to clarify these issues and avoid potential penalties arising from misinterpretation of the rules.

Although the MOF has announced via its media release dated 11th June 2025 that companies making genuine efforts to comply with the expanded scope of the SST will enjoy a penalty-free grace period until 31st December 2025, this concession does not waive the underlying sales tax or service tax that falls due from 1st July 2025.

To remain fully compliant and to avoid a large back-tax bill later, we strongly recommend that businesses take the following actions now:-

- Confirm whether your business requires you to register for SST;
- For manufacturers, to analyse inputs, components and equipment to identify potential tax exposure;
- Obtain confirmation from RMCD on specific issues such as eligibility for the non-reviewable contract exemption, etc.

The above updates should have addressed some of your doubts and we remain committed to keeping you informed of further developments, ensuring that you have the clarity and certainty needed to make sound decisions and refine your pricing strategies.

Lastly, drawing from the SST enquiries that we have addressed in the past, we have learned that sound advice cannot be distilled into a line or two. A proper conclusion typically demands a structured fact-finding process, interviews and review of documents and agreements. We are, of course, happy to assist and can deploy a more thorough approach wherever you require.

For other issues of our Tax Flash, please go to:
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