

Tax Flash – June 2025 (Special Edition)

- Sales Tax and Service Tax Expanded Scope (Effective 1st July 2025)

Sales Tax

Statutory Orders



The following Orders have been gazetted on the following dates and will come into operation on 1st July 2025:-

No.	Subject	Date Gazetted
1.	<u>Sales Tax (Rate of Sales Tax) Order 2025</u>	9 th June 2025
2.	<u>Sales Tax (Goods Exempted from Sales Tax) Order 2025</u>	9 th June 2025

With effect from 1st July 2025, certain goods that are currently exempted from sales tax will attract a 5% sales tax while some goods that are currently being taxed at 5% will be subject to an increased rate of 10%.

For a detailed list of the affected goods and the respective new rates, kindly refer to the abovementioned Orders.

Guidelines



Following the issuance of the Orders, the Royal Malaysian Customs Department [“RMCD”] has issued a guide providing guidance on the transitional issues due to the change of the sales tax rate from 0% to 5% or 5% to 10% effective 1st July 2025.

The above guide provides for the following guidance to ease the transitional sales tax treatment to be adopted by manufacturers and importers:-

- 1) Exemptions in relation to the change in sales tax rate
- 2) Registration as a registered manufacturer
- 3) Importation or purchase made under sales tax exemption

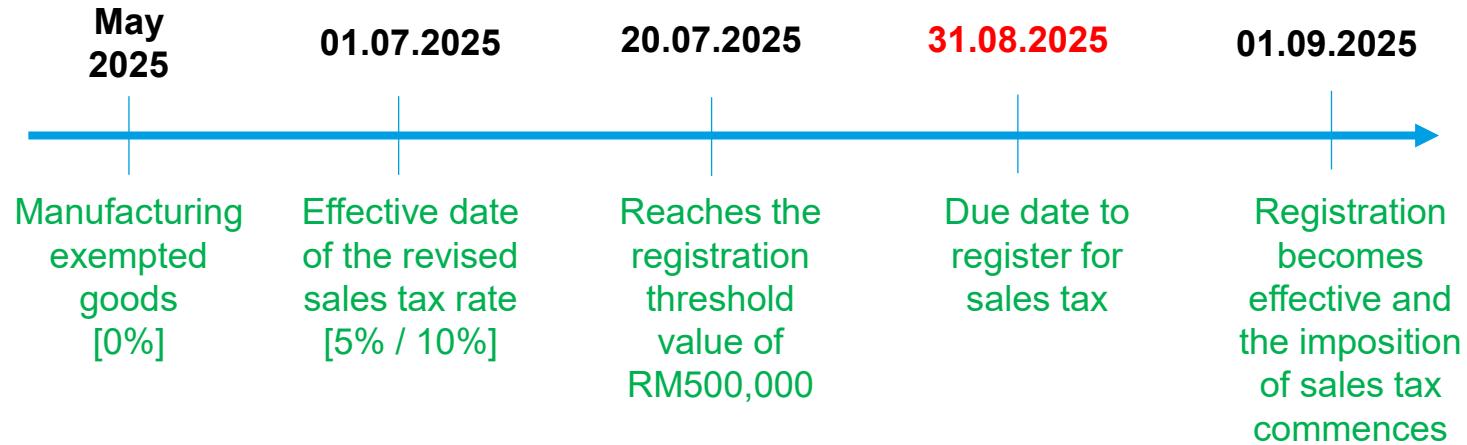


1) Exemptions in relation to the Change in Sales Tax Rate

Sales Tax Rate		Registered Manufacturer?	Timing of Issuance of Invoice	Sales Tax Rate To Be Applied
Before 01.07.2025	Effective 01.07.2025			
5%	10%	Yes	Before 1 st July 2025	5%
0%	5%	Yes	On / after 1 st July 2025	5%
5%	10%	Yes	On / after 1 st July 2025	10%
0%	5% / 10%	No	On / after 1 st July 2025	0%



2) Registration as a Registered Manufacturer





3) Importation or Purchase Made under Sales Tax Exemption

Inputs [Before 1 st July 2025]	Outputs [On / After 1 st July 2025]	
<ul style="list-style-type: none">➤ Raw materials➤ Packing materials➤ Packaging materials➤ Components <p>Obtained sales tax exemption to manufacture exempted goods (outputs)</p>	Taxable goods	The manufacturer shall be liable to pay the sales tax previously exempted on the balance of manufacturing input stocks [Note]

Note : The Finance Minister has agreed to grant a sales tax exemption on manufacturing inputs purchased with sales tax exemption for the purpose of manufacturing goods exempted from sales tax if the manufacturer is registered for sales tax purposes and the effective date of registration is not later than 30th September 2025.

Service Tax

Statutory Orders



The following Regulation and Orders have been gazetted on the following dates and will come into operation on 1st July 2025:-

No.	Subject	Date Gazetted
1.	<u>Service Tax (Amendment) Regulations 2025</u>	9 th June 2025
2.	<u>Service Tax (Rate of Tax) (Amendment) Order 2025</u>	9 th June 2025
3.	<u>Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2025</u>	9 th June 2025

Guidelines



Following the issuance of the Regulation and Orders, RMCD has issued the following guidelines, all dated 9th June 2025 (in our national language – *Bahasa Malaysia*):-

No.	Subject
1.	<u>Guide on Clubs etc. under Groups C, D and E to First Schedule of the Service Tax Regulations 2018</u>
2.	<u>Guide on Rental or Leasing Services</u>
3.	<u>Guide on Construction Works</u>
4.	<u>Guide on Education</u>

New Taxable Service - Rental or Leasing



Taxable Services : Provision of all types of rental or leasing of tangible asset services including any other services which form part of the rental or leasing services

Excluded Services :



Housing
Accommodation



Reading
Materials



Tangible Assets
Located Outside
Malaysia



Finance Lease

Registration : RM500,000 for a period of 12 months
Threshold

Service Tax Rate : 8%

New Taxable Service - Rental or Leasing



B2B Exemption : Yes, subject to the pre-requisite conditions

Intra-Group Relief : No

Other Exemption : 1) Rental or leasing services provided to Micro, Small, Medium Enterprises [“MSME”] with an annual turnover of less than RM500,000 may be exempted from service tax (subject to a mechanism to be determined by RMCD]
2) Non-reviewable contract (valid for one year from 1st July 2025)

New Taxable Service - Rental or Leasing



Transitional Treatment :

Before 1 st July 2025			On / After 1 st July 2025			Service Tax Payable
Value of Services Rendered RM	Amount as per Invoice Issued RM	Total Payment Received RM	Value of Services Rendered RM	Amount as per Invoice Issued RM	Total Payment Received RM	
5,000	15,000	15,000	10,000	-	-	RM 0
6,000	36,000	16,000	30,000	-	20,000	RM1,600 (RM20,000 x 8%)
-	12,000	-	12,000	-	12,000	RM960 (RM12,000 x 8%)
6,000	36,000	-	30,000	-	36,000	RM2,400 (RM30,000 x 8%)

New Taxable Service - Construction Works



Taxable Services : Provision of services in relation to any construction works (including residential building approved for the purposes of mixed development by a local authority)

Excluded Services :



Residential Building



Public Facility
Related to
Residential Building



Liquidated
Ascertained
Damages

Registration : RM1,500,000 for a period of 12 months
Threshold

Service Tax Rate : 6%

New Taxable Service - Construction Works



B2B Exemption : Yes, subject to the pre-requisite conditions

Intra-Group Relief : No

Other Exemption : Non-reviewable contract (valid for one year from 1st July 2025)

New Taxable Service - Construction Works



Transitional Treatment :

Before 1 st July 2025			On / After 1 st July 2025			Service Tax Payable
Services Rendered RM	Amount as per Invoice Issued RM	Total Payment Received RM	Services Rendered RM	Amount as per Invoice Issued RM	Total Payment Received RM	
5,000	15,000	15,000	10,000	-	-	RM 0
6,000	36,000	18,000	30,000	-	18,000	RM1,080 (RM18,000 x 6%)
-	12,000	-	12,000	-	12,000	RM720 (RM12,000 x 6%)
6,000	36,000	-	30,000	-	36,000	RM1,800 (RM30,000 x 6%)

New Taxable Service - Construction Works



Retention Sum :

Project Handover Date	Service Tax Treatment
Before 1 st July 2025	No service tax
On / after 1 st July 2025	Only the portion of the retention sum attributable to construction works performed on or after 1 st July 2025 is subject to 6% service tax

Liability to account for service tax on the retention sum : In the taxable period in which the retention sum is received, provided that the amount is received within 12 months from the specified liability expiry date.

In the event the retention sum is not received within 12 months from the specified liability expiry date, the service tax shall become due and payable on the day immediately following the end of the 12-month period

New Taxable Service

- Education



Taxable Services :

- 1) Provision of pre-school, primary school, lower secondary, upper secondary or post-secondary education services which imposes fees exceeding RM60,000 per student for each academic year by any private educational institution registered under the Education Act 1996 excluding a special school and a language centre
- 2) Provision of services relating to education provided to a non-citizen by any higher education institution registered under the Universities and University Colleges Act 1971, the Private Higher Educational Institutions Act 1996 or the Education Act 1996
- 3) Provision of services relating to education to a non-citizen by any language centre registered under the Education Act 1996

New Taxable Service - Education



Registration : RM NIL
Threshold:

Service Tax Rate : 6%

B2B Exemption : No

Intra-Group Relief : No

Other Exemption : A citizen and a holder of a valid *Kad OKU* issued under the Persons with Disabilities Act 2008 [Act 685]

New Taxable Service - Finance



Taxable Services :

- 1) Provision of financial services charged for fees, commissions or similar payments
- 2) Provision of financial services including financial leasing, factoring, trade financing, credit facilities or syariah compliant financial services which are subject to fees, commissions or similar payments

Excluded Services :

- 1) Interest based payment for credit facilities
- 2) Profit based payment for syariah compliant financing
- 3) Payment which is punitive in nature
- 4) Returns through the difference between the selling price and the purchase price

New Taxable Service - Finance



Excluded Services : 5) Basic banking services relating to the operation of savings account, current account or similar kind

6) Services relating to goods, lands or matters outside Malaysia excluding outward remittance transactions, where charges are imposed on customers located in Malaysia

7) Services directly related to goods delivered from last exit point within Malaysia to other place outside Malaysia

8) Inward remittance transaction services received in Malaysia where charges are imposed on the remittance agent located outside Malaysia

New Taxable Service - Finance



Excluded Services : (continue)

- 9) Brokerage or underwriting services relating to medical insurance or medical *takaful* borne by an individual
- 10) Brokerage or underwriting services relating to life insurance or family *takaful* borne by an individual
- 11) Line of credit or syariah compliant financial services through the activation of a credit charge card, primary charge card, supplementary credit card or supplementary charge card

New Taxable Service - Finance



Registration Threshold : RM500,000 for a period of 12 months

Service Tax Rate : 8%

B2B Exemption : Yes, applicable to any person regulated by the Labuan Financial Services Authority and subject to pre-requisite conditions

Intra-Group Relief : No

Other Exemption : Pending issuance of Guide on Finance Services

New Taxable Service - Healthcare



Taxable Services :

- 1) Provision of healthcare services by any person who operates or provides a private healthcare facility registered or licensed under the Private Healthcare Facilities and Services Act 1998
- 2) Provision of practice of traditional and complementary medicine services

Excluded Services :

- 1) Provision of private healthcare services by the Government
- 2) Provision of private healthcare services by any university or university colleges registered under the Universities and University Colleges Act 1971 [Act 30] or the Universiti Teknologi MARA Act 1976 [Act 173] which operates or provides a private healthcare facility

New Taxable Service - Healthcare



Registration Threshold : RM1,500,000 for a period of 12 months

Service Tax Rate : 6%

B2B Exemption : No

Intra-Group Relief : No

Other Exemption : Malaysia citizen is exempted from payment of service tax

New Taxable Service - Allied Health / Beauty Services



Taxable Services : Provision of services relating to allied health by any person who operates or provides a place for the activities related to private allied health services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998

Registration : RM1,500,000 for a period of 12 months
Threshold

Service Tax Rate : 6%

B2B Exemption : No

Intra-Group Relief : No

Other Exemption : Malaysia citizen is exempted from payment of service tax

DISCLAIMER

- ❖ This publication is prepared according to the relevant statutory orders and guidelines published by the Attorney General's Chambers and the RMCD on 9th June 2025.
- ❖ The contents in these slides may be subject to changes due to any updates in guidelines or policies by the relevant authorities.
- ❖ The information provided herein is for general purposes. This publication is not intended to replace any professional judgement or expert consultation. It is advisable for you to seek for professional opinions for case-specific advice before any decision is made.

THANK YOU



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