



FORUM
SESSION 2

PANELLIST

PUAN ALMIRULITA MOHD YUSOFF

Assistant Director General of Customs,
Head of Internal Tax Division,

●●● Royal Malaysian Customs Department

**SST EXPANSION,
COMPLIANCE
CHALLENGES &
SECTORAL IMPACT**



- EXPANDING THE REVENUE BASE
- Enhancements to the Sales and Service Tax

- ✓ to enhance revenue and broaden the tax base
- ✓ extended to include commercial services, particularly businesses that operate on a fee-based model



Group	Category
H	Finance (Financial Fee Based Services)
I	Other Service Providers (Healthcare Services, TCM & Private Allied Health Services)
K	Rental or Leasing
L	Construction Works
M	Education



Financial Fee Based Services – 8%

- Applies to fee or commission-based financial services
- Not applicable to basic banking services, penalty fees, outward remittances, export-related financing



Rental or Leasing Services – 8%

- Applies to all service providers whose rental or lease incomes exceeds RM1mil in a 12-month period
- Not applicable to residential buildings, reading materials, assets outside Malaysia & financial leasing



Constructions Works – 6%

- Applies to all service providers whose value of taxable services exceeds RM1.5 million in a 12-month period
- Not applicable to residential buildings and public facilities related to residential buildings



Private Healthcare Services – 6%

- Applies to private healthcare, traditional and complementary practices and allied health services whose value of taxable services exceeds RM1.5 million in a 12-month period
- Not applicable to citizen of Malaysia



Education Services – 6%

- Applies to private preschools, primary and secondary schools if annual tuition fees exceed RM60,000 per student.
- Higher learning & language centre applicable to non-citizen of Malaysia

COMPLIANCE CHALLENGES

Confusion on tax treatment

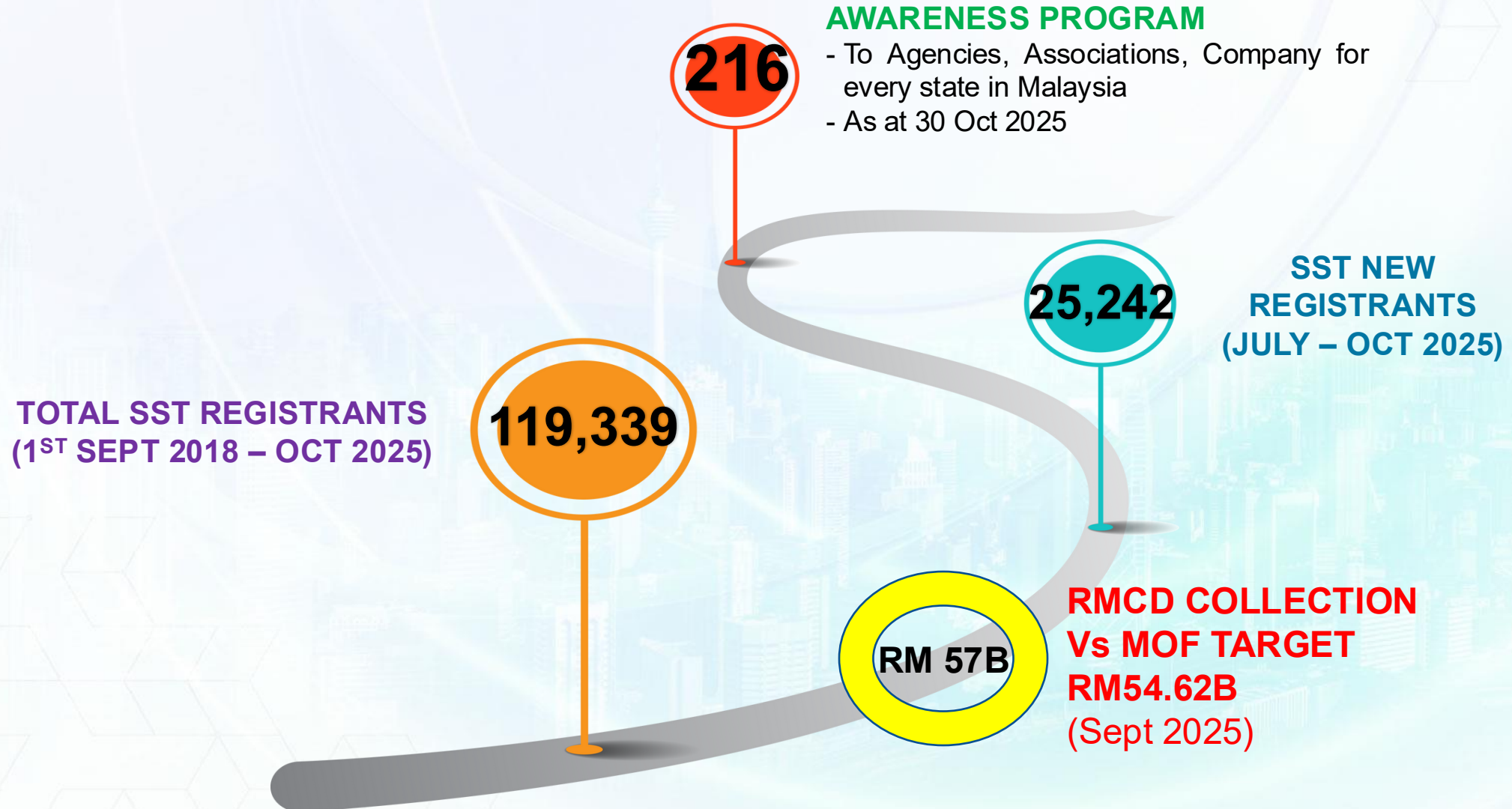
Navigating existing agreement/contract



Adjustment of cost and pricing

Administrative cost:
- **Revise system/ format tax code**

SST EXPANSION SCOPE (UPDATES)



ADDRESSING IMPLEMENTATION AND COMPLIANCE

• SUPPORTING BUSINESS TRANSITION AND COMPLIANCE

Exemption for Fixed Contracts

Pre-existing contracts that cannot be revised for price adjustments are granted a 12-month exemption from the new service tax.

Phased Financial Services Implementation

The service tax for financial services was rolled out in two phases to provide the industry with more preparation time.

Compliance Support

The penalty waiver period allows time for businesses, particularly SMEs, to adapt their accounting and reporting systems.

Phased Financial Services Implementation

The service tax for financial services was rolled out in two phases to provide the industry with more preparation time.

Compliance Support

The penalty waiver period allows time for businesses, particularly SMEs, to adapt their accounting and reporting systems.

ADDRESSING IMPLEMENTATION AND COMPLIANCE

- Policies for Consumers | Protecting Consumers and Managing Cost of Living



Essential Goods Exemptions

Basic necessities like rice, chicken, vegetables, and medicines remain free from sales tax.



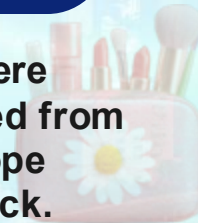
Targeted Non-Essential Goods

Increases were focused on non-essential and luxury goods, making the tax structure more progressive.



Expansion Reversals

Beauty services were completely removed from the service tax scope after public feedback.



Essential Imports Exempted

Imported fruits, such as apples, oranges, and dates, were added back to the exemption list following public concern.

STP 1/2025 : FINANCIAL SERVICES

- **Non-reviewable contracts (contracts with no price change allowed) that is written, signed, and stamped by LHDN on or before 9 June 2025**

(exempted from 1 July 2025 – 30 June 2026)

- **Imported financial services that used for taxable or export-related financial services except for stock brokerage or Bursa Malaysia-related services**

- **Effective October 17, 2025, the B2B exemption was expanded to include reinsurance services for non-taxable insurance lines (medical, life, and family takaful).**
- **Exemptions are also in place for trading fees on shares listed on Bursa Malaysia.**
- **Services directly related to goods exported out of Malaysia are exempted.**

STP 2/2025: RENTAL/LEASING SERVICES

- Clarified that companies within a group receiving rental/leasing services from another group company (local or foreign) are exempt.
- A B2B exemption with refund mechanism is available for service providers who newly met the threshold in July 2025 and registered by August 31, 2025.
- Exemptions for SMEs (Threshold RM1 Million): Rental or leasing services for Small and Micro Enterprise (SME) tenants are exempted.
- Exemptions for aircraft and ships: The rental or leasing of aircraft and ships is exempt from service tax as of July 4, 2025, though drones and floating platforms are excluded.

STP 3 & 7/2025: CONSTRUCTION WORK SERVICES

- **Non-Reviewable Contracts:** Exempts service tax for construction services rendered between July 1, 2025, and June 30, 2026, for existing contracts and variation orders (VO) or extensions of time (EoT) signed before July 1, 2025, and stamped by the Inland Revenue Board of Malaysia (LHDN) before December 31, 2025.
- **Separate Invoicing:** Allows for separate billing of construction materials and services, where service tax is only imposed on the service component, avoiding potential double taxation.
- **EPCC Contracts:** Provides an option for the industry to classify shipbuilding as either a manufacturing process (subject to sales tax) or a construction service (subject to service tax), with different implications for B2B exemptions.

STP 4/2025: EDUCATION SERVICES

- **An exemption is granted for education services provided to dependents of foreign diplomats, subject to verification from the Ministry of Foreign Affairs.**
- **An exemption applies where tuition fees are fully sponsored by approved entities, foundations, or corporations.**

STP 5 & 6/2025: HEALTH CARE SERVICES

- **Services provided to Malaysian citizens remain exempt.**
- **Foreign diplomats and their dependents receive an exemption subject to verification.**
- **Third-party services: This policy clarifies the tax treatment when a private healthcare facility uses third-party providers for services. No B2B exemption applies for inter-hospital services within the same group for healthcare.**
- **Equipment rental: Rental of medical equipment is taxable under healthcare services when provided to non-citizen patients.**

SALIHIN
THINK DIFFERENTLY

Academy SALIHIN



20 MALAYSIA KUALA LUMPUR EDITION
26 BUDGET TAX SEMINAR

Thank You