



Expansion of Sales Tax & Service Tax (SST)



Effective Date

- **1 July 2025**



Grace Period

- A grace period is provided until **31 December 2025** and **no penalties** would be imposed on companies that genuinely made effort to comply with the newly revised SST regime.



Revision of Sales Tax Rate



Non-Essential Goods: Increased to 5%

- Non-essential goods such as king crab, salmon, truffle mushrooms, imported fruits, cereals, essential oils, silk fabrics and industrial machinery.



Premium Goods: Increased to 10%

- Premium discretionary goods such as racing bicycles and antique hand-painted artworks.



Expansion of Scope of Taxable Services



Six (6) new taxable services will be included:

- Leasing or rental services
- Construction services
- Private healthcare services
- Education services
- Beauty services
- Financial services



Leasing or Rental Services

Taxable Service	Exemption	Registration Threshold
Provision of rental or leasing for tangible asset services, excluding the following: <ul style="list-style-type: none"> ▪ Housing accommodation; ▪ Reading materials; ▪ Tangible assets located outside Malaysia; or ▪ Finance lease 	<ul style="list-style-type: none"> ▪ Business-to-business (B2B) exemption ▪ Group relief* ▪ MSMEs with less than RM500,000 turnover* ▪ Non-reviewable contracts will receive a 12-month exemption* 	RM500,000



Rate



Construction Services

Taxable Service	Exemption	Registration Threshold
Provision of construction works services, excluding the following: <ul style="list-style-type: none"> ▪ Construction of a residential building; and ▪ Construction of public facilities related to residential buildings <p>Note: Residential buildings and associated public facilities that are part of a mixed development project (approved by local authorities) will be taxable</p>	<ul style="list-style-type: none"> ▪ B2B exemption ▪ Non-reviewable contracts will receive a 12-month exemption* 	RM1,500,000



Rate

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Private Healthcare Services

Taxable Service	Exemption	Registration Threshold
<p>Provision of healthcare services to non-Malaysian citizens, including:</p> <ul style="list-style-type: none"> Healthcare services provided by healthcare facilities registered/licensed under the Private Healthcare Facilities and Services Act 1998. Practice of traditional & complementary medicine. Provision of private allied health services, e.g., audiology, dietetic, physiotherapy, nutrition, clinical psychology etc. 	<ul style="list-style-type: none"> Malaysians are exempted. Healthcare services provided by government & private healthcare services under the Universities and University Colleges Act 1971 & Universiti Teknologi MARA Act 1976 	<p>RM1,500,000</p>



Education Services

Taxable Service	Exemption	Registration Threshold
<p>Provision of:</p> <ul style="list-style-type: none"> Private education services (from pre-school to post-secondary) where charged fees exceed RM60,000 per student for each academic year, excluding special school & language centre; Tertiary education services provided to non-Malaysian citizen students; and Education services provided by language centres to non-Malaysian citizens. 	<ul style="list-style-type: none"> For private education services, Malaysian citizens that hold a valid OKU card are exempted. 	<p>NIL</p>



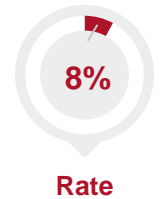
Beauty Services

Taxable Service	Exemption	Registration Threshold
<p>Provision of services by any person operating a wellness centre, including:</p> <ul style="list-style-type: none"> Any treatment on any part of the body using any substance or equipment including aromatherapy, acupuncture, reflexology or cupping; Any care or treatment for postnatal mother and infant; or Wellness care for the elderly. <p>Note: MOF announcement clarified that facial, hairdressing, manicure, pedicure, tattoos and slimming treatments are taxable services.</p>	<ul style="list-style-type: none"> For private education services, Malaysian citizens that hold a valid OKU card are exempted. 	<p>NIL</p>



Financial Services

Taxable Service	Exemption	Registration Threshold
<p>Provision of financial services by any person regulated by Bank Negara Malaysia, Securities Commission and Labuan Financial Services Authority ("LFSA") charged for fees, commissions or similar payments, excluding the following:</p> <ul style="list-style-type: none"> Interest-based payment/profit-based payment for Syariah compliant financing; Returns derived from the difference between selling price & purchase price; Punitive payments; Basic banking services (savings/current account/ debit card/ counter/ATM); Exported financial services; Brokerage/underwriting services relating to life insurance, family takaful, medical insurance or medical takaful borne by an individual; and Line of credit through credit card, charge card or supplementary card <p>Provision of financial services by another person including financial leasing, factoring, trade financing, credit facilities or syariah compliant financing services which are subject to fees, commission or similar payments (subject to exceptions).</p>	<ul style="list-style-type: none"> B2B exemption for Bursa Malaysia. Shariah-compliant fee arrangements* <p>Note: The Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2025 only provides B2B exemptions exclusively for persons regulated by LFSA.</p>	<p>RM 500,000</p>



*Please note that these exemptions/reliefs are not yet legislated but are included based on MOF's announcement.

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SST: What's Next?



Regulatory Obligations



Do your products or services trigger SST registration?

- Map services/goods against new taxable services and revised sales tax rate.
- Check if 12-month turnover exceeds or expects to exceed registration thresholds.
- Local importers of new taxable services may need to self-account for service tax.



Contractual Pass-Through



Can you legally pass the SST cost to your clients under current contracts?

- Communicate with customers to determine which party to bear new service tax (and whether exemption is applicable i.e., B2B).
- Review tax clauses in contracts – is your pricing "inclusive" or "exclusive" of tax?
- Determine if renegotiation is possible under the contracts or if contract is reviewable.



Timing & Transitional Issues



How are contracts spanning June-July 2025 treated?

- Consider timing of supply, payment and invoicing of service/goods which may subject the service/goods to the revised SST.
- Consider whether contractual provisions are reviewable.



Exemptions & Reliefs



Are there any available exemptions or reliefs you can rely on?

- Review the scope of taxable services to see if your service can be excluded.
- Consider the exemptions i.e., B2B, group relief, non-reviewable contracts, to see if your business can qualify.
- Ensure qualifying conditions and documentation are met.



Internal Controls & Risk Mitigation



Are your internal processes & teams equipped to manage SST compliance?

- Ensure accounting and invoicing systems are updated to cater for new taxable services and revised sales tax rate.
- Establish internal policies to ensure accurate reporting of SST and mechanism to monitor SST updates.
- Prepare for potential audits or reviews.



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