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One of the  
RSM team



THE

Draft Guide on Transitional Rules –  
Change in Service Tax Rate  
and  
Draft Guide on Logistics Services

On 7 February 2024, the Royal Malaysian Customs Department (RMCD) issued the draft Guide on Transitional Rules for the change in Service Tax rate from 6% to 8% and the draft Guide on Logistics Services.

We summarise the salient points of the draft Guides as follows:

## 1. Transitional Rules for the increase in Service Tax rate

With effect from 1 March 2024, the service tax rate will increase to 8% on all taxable services, except for the following taxable services:-

- Group B: Food and beverages
- Group I: Telecommunication services
- Group I: Vehicle parking space services
- Group J: Logistics (new taxable services)

The credit card and charge card remain at RM25 per card per year.

- i) Rate of service tax for taxable services provided Before, On / After the effective date
- The applicable Service Tax rate shall be based on the date the taxable services are performed i.e. 6% before 1 March 2024 and 8% after 1 March 2024.
  - For taxable services spanning before and after 1 March 2024, the Service Tax rate is levied on apportionment basis.
  - For payments received before 1 March 2024 in respect to taxable services to be provided after 1 March 2024, exceptional rule is given, where the Service Tax rate remains at 6%.

We summarise the rate of service tax for various scenarios as follows:-

Before 1 March 2024			On / After 1 March 2024			Rate of service tax
Taxable services provided (RM)	Invoice issued (RM)	Payment received (RM)	Taxable services provided (RM)	Invoice issued (RM)	Payment received (RM)	
✓	✓	✓	-	-	-	6%
-	✓	✓ (full payment received)	✓	-	-	6%
-	-	✓ (full payment received)	✓	✓	-	6%
-	-	-	✓	✓	✓	8%
✓	✓	-	-	-	✓	6%
✓	✓	✓ (partial payment)	-	-	✓ (balance payment)	6%
-	✓	✓ (partial payment)	✓	-	✓ (balance payment)	6% - for payment received before effective date 8% - for payment received on / after effective date*
✓ (taxable services spanning)	✓	-	✓ (taxable services spanning)	-	✓	6% - for taxable services provided before effective date 8% - for taxable services provided on / after effective date*

\*Note: Taxpayer is required to issue a debit note to account for the additional 2%. The debit note should be accounted for in the SST-02 return at the time the debit note is issued.

## 1. Transitional Rules for the increase in Service Tax rate (Cont.)

- ii) Rate of service tax for Imported Taxable Services acquired Before, On / After the effective date
- The applicable Service Tax rate shall be based on the date when imported taxable services are received i.e. 6% before 1 March 2024 and 8% after 1 March 2024.
  - For imported taxable services spanning before and after 1 March 2024, the Service Tax rate is levied on apportionment basis.
  - For Service Tax due before 1 March (i.e. invoice received / payment made before 1 March 2024, whichever the earlier) in respect of imported taxable services to be received after 1 March 2024, exceptional rule is given, where the Service Tax rate remains at 6%.

We summarise the rate of service tax for various scenarios as follows:-

Before 1 March 2024			On / After 1 March 2024			Rate of service tax
Imported Taxable services acquired (RM)	Invoice received (RM)	Payment made (RM)	Imported Taxable services acquired (RM)	Invoice received (RM)	Payment made (RM)	
✓	✓	✓	-	-	-	6%
-	✓	✓	✓	-	-	6%
-	-	✓	✓	✓	-	6%
-	-	-	✓	✓	✓	8%
-	✓	-	✓	-	✓	6%
-	✓ (partial Invoicing)	✓	✓	✓ (partial Invoicing)	✓	6% - for invoice received / payment made before effective date
-	✓ (full invoice received)	✓ (full payment made)	✓ (imported taxable service spanning)	-	-	8% - for invoice received / payment made on / after effective date
✓ (imported taxable service spanning)	✓ (full invoice received)	✓ (full payment made)	✓ (imported taxable service spanning)	-	-	6%

Please note the following:-

- A. The draft Guide is still under review by the Ministry of Finance and may be subject to changes once the relevant legislation is gazetted; and
- B. The draft Guide does not apply for a Foreign Registered Person (FRP) who provides digital services. A separate guide will be issued in due course.

The draft guide also mentioned that the following proposed new taxable services, which will take effect from **1 March 2024**:–

Group	Taxable Services	Rate of Tax %
C	Karaoke centre services	8
G, item 13	Maintenance services (i.e. Provision of all maintenance services including corrective and preventive maintenance)	8
I, item 12	Brokerage & underwriting services other than financial services	8
J, item 1	Logistics services	6

## 2. Draft Guide on Logistics services

Description	Service Tax Implications
Service Tax Rate	<ul style="list-style-type: none"> <li>▪ Charged and levied at 6%.</li> <li>▪ Logistics services to be categorised under a new Group (i.e. Group J), First Schedule of Service Tax Regulations 2018</li> </ul>
Taxable Services under Group J	<ul style="list-style-type: none"> <li>▪ Logistics services (effective 1 March 2024)</li> <li>▪ Warehousing management services (effective 1 September 2018)</li> <li>▪ Courier services (effective 1 September 2018)</li> <li>▪ Customs agent (effective 1 September 2018)</li> </ul>
Taxable person	<ol style="list-style-type: none"> <li>a. Logistics including all or part of the logistics supply chain management services, port and airport management, warehousing or warehousing management, freight forwarding, sea freight, air freight or cold chain facilities;</li> <li>b. Delivery or distribution or transportation of goods;</li> <li>c. Delivery or distribution or transportation of goods, documents or packages using e-Commerce platform including on behalf of any person; or</li> <li>d. Courier services under Section 10 of the Postal Services Act 2012.</li> </ol>
Registration threshold	<ul style="list-style-type: none"> <li>▪ RM 500,000 within a rolling 12-months period, excluding for Customs agent (no threshold).</li> </ul>



## Special Voluntary Disclosure Program (SVDP 2.0) Ending Soon!

We would like to draw your attention to the fast-approaching deadline for the SVDP 2.0, which will end on 31 May 2024.

The SVDP 2.0 is a good opportunity for businesses to rectify any past errors or omissions in their indirect tax returns (i.e. GST, SST and Tourism Tax) without facing late payment penalties. Whether it's incorrect return, under-declaration of indirect tax, or any other discrepancies, this program allows you to come clean and ensure compliance with indirect tax legislation.

Contact us today to learn more about how we can assist you with the SVDP 2.0. Our specialised team is here to guide you every step of the way.

Please contact us to discuss  
how we can assist you on the above matters.



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