

KEY HIGHLIGHTS OF THE SALES AND SERVICE TAX (SST) EXPANSION

June 2025





Introduction

Following the Budget 2025 announcement on **18 October 2024**, the Malaysian government proposed significant enhancements to the SST framework as part of its fiscal strengthening measures.




These changes have since been formalised with the gazetting of the relevant SST legislations on **9 June 2025**.

The amendments will take effect from **1 July 2025**, expanding the scope of taxable goods and services. In view of these significant developments, businesses are strongly advised to conduct comprehensive review of their operations to assess the potential impacts on pricing structures, contracts and indirect tax compliance.

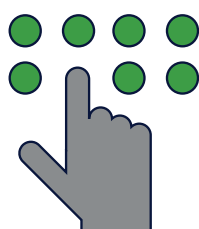
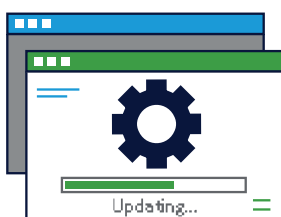
Sales Tax Highlights

The Sales Tax rates remain unchanged at 0%, 5% or 10%. However, the scope of taxable goods has now been broadened, based on the Harmonized System (HS) Codes.

Key changes include:

| Sales Tax Rate | | |
|--|--|---|
| Remained at 0% | Increased to 5% | Increased to 10% |
| Essential items such as rice, sugar, cooking oil, medicine etc.  | Selected goods including king crab, salmon, imported strawberries etc.  | Non-essential goods such as racing bicycles, antique hand-painted artwork, tungsten scrap etc.  |

Manufacturers who are manufacturing taxable goods that fall under the revised scope are required to register and charge for Sales Tax, if they exceed the threshold of RM500,000.



Service Tax Highlights

The scope of Service Tax will be expanded to cover new categories of taxable services as follows:



Rental or Leasing Services

- Includes rental of commercial buildings, tangible assets, equipment etc.



Private Healthcare Services

- Encompasses private healthcare services, traditional and complementary medicine and allied health services.



Construction Works Services

- Applies to non-residential construction activities.



Education Services

- Applies to private preschools, primary and secondary schools; and
- Higher education services (excluding Malaysian citizens)



Financial Services

- Covers fee-based or commission-based financial services



Wellness / Beauty Services

- Includes facial treatment, manicures, hairdressing, tattooing and other wellness and beauty services.



Exemptions may be available for certain taxable services, subject to specific conditions such as:

- Business to Business (B2B) Exemptions**
- Exemptions for non-reviewable contracts**



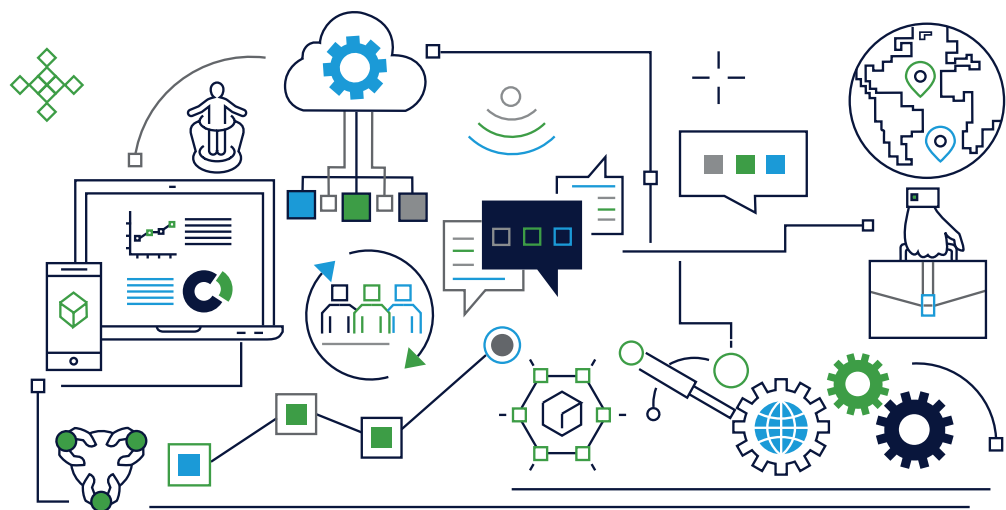
RSM's Comments:



*Following the expansion in scope of the SST, businesses that were previously not subject to SST may now fall within the new taxable category. If your business exceeds the prescribed threshold, you are required to register with the Royal Malaysian Customs Department (RMCD) by **31 August 2025**. Registered businesses must begin charging SST from 1 September 2025. We strongly encourage early assessment and registration to ensure timely compliance.*

Key Consideration for Businesses

| Assess Business Exposure | Registration Obligations | System and Pricing Updates | Review Contracts and Exemptions |
|--|---|---|---|
| Review operations to determine whether goods or services fall within the expanded scope. | Evaluate whether your business meets the threshold for registration and identify the compliance requirements. | Update your accounting, billing and ERP systems and revise the pricing structures to reflect the correct tax rates. | Examine existing contracts with customers and suppliers to determine the nature of services provided and assess exemptions eligibility. |



How RSM can assist you



1. Assess the SST implications on the expanded scope in respect of your business operations and transactions.
2. Assess compliance obligations and assist with registration process.
3. Evaluate eligibility for exemptions or available reliefs.
4. Assist in seeking official clarifications from RMCD, where required.
5. Provide on-going support on SST advisory or compliance matters.
6. Assist with SST returns preparation, audit readiness and regulatory updates.

KEY CONTACTS



Robert Teo

Head of Tax

+603 2610 2886

robertteo@rsmmalaysia.my

CORPORATE TAX COMPLIANCE



Anston Cheah

Executive Director

+603 2610 2829

anston.cheah@rsmmalaysia.my



Nicole Chong

Director

+603 2610 2830

nicole.chong@rsmmalaysia.my

TAX AUDIT & INVESTIGATION



Anston Cheah

Executive Director

+603 2610 2829

anston.cheah@rsmmalaysia.my



Rachel Low

Associate Director

+603 2610 2988

lowwl@rsmmalaysia.my

TAX ADVISORY



Anston Cheah

Executive Director

+603 2610 2829

anston.cheah@rsmmalaysia.my



Lee Pei Fern

Senior Manager

+603 2610 2995

leepf@rsmmalaysia.my

PERSONAL TAX



Mayadevi Karpayah

Director

+603 2610 2831

mayadevi@rsmmalaysia.my



Lynda Harun

Associate Director

+603 2610 2832

lynda@rsmmalaysia.my

INDIRECT TAX



Anston Cheah

Executive Director

+603 2610 2829

anston.cheah@rsmmalaysia.my



Mayadevi Karpayah

Director

+603 2610 2831

mayadevi@rsmmalaysia.my

TRANSFER PRICING



Carolyn Kam

Executive Director

+603 2610 2996

carolyn.kam@rsmmalaysia.my



Athirah Mior Shahar

Associate Director

+603 2610 2997

athirah.shahar@rsmmalaysia.my



5th Floor, Penthouse, Wisma RKT,
Block A, No.2 Jalan Raja Abdullah Off Jalan Sultan Ismail,
50300 Kuala Lumpur,
Malaysia

Suite 16-02, Level 16, Menara Landmark,
No. 12, Jalan Ngee Heng,
80888 Ibrahim International Business District,
Johor Bahru, Johor, Malaysia

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