

KEY UPDATES ON THE SALES AND SERVICE TAX (SST) EXPANSION

July 2025





Introduction

On 27 June 2025, the Ministry of Finance (MOF) issued a media release to update on three key amendments to the SST that took effect on 1 July 2025.

Sales Tax Highlights

Selected imported fruits to be exempted from Sales Tax

The MOF has agreed to exempt the following imported fruits from Sales Tax: –

- Apples
- Oranges
- Mandarin oranges
- Dates



Increase in Registration Threshold

MOF has also increased the Service Tax registration threshold from **RM500,000** to **RM1 million** for businesses providing services under Group K (Leasing or Rental Services) and Group H (Financial Services).

Revision of SST thresholds			
Services	Service Tax Rate	Registration Threshold Previous	Registration Threshold Revised
Leasing or Rental Services	8%	RM500,000	RM1,000,000
Financial Services	8% on fee or commission based financial services	RM500,000	RM1,000,000

Beauty services no longer subject to Service Tax expansion



Following a review of public sentiments, the Prime Minister and MOF have decided not to proceed with the expansion of the Service Tax under Group C. This means services such as nail treatments (manicure and pedicure), facial treatments, hairdressing and barber services will remain exempt from Service Tax.

Service Tax Highlights

SERVICE TAX POLICY

The Royal Malaysian Customs Department (RMCD) has issued the following Service Tax Policies (STP) on 29 June 2025, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018 to clarify the service tax exemption with effect from 1 July 2025: –



STP No. 1/2025
Financial Services



STP No. 2/2025
Rental or Leasing Services



STP No. 3/2025
Construction Works Services



STP No. 4/2025
Education Services



STP No. 5/2025
Private Healthcare Services

The RMCD has indicated that exemption from being subject to compound, prosecution, and penalty until 31 December 2025 is available for the following offences:

- Late registration
- Late submission of returns
- Late payment
- Incorrect declaration (under declaration & underpayment)
- Any errors related to invoices, credit notes, or debit notes

However, the exemption does not apply to fraud offences or offences committed intentionally. Based on the above STPs, exemptions are also available for certain taxable services, subject to specific conditions such as:

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



RSM's Comments:



Businesses are required to review their SST position and if applicable, registration with RMCD would need to be completed 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 Considerations 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



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

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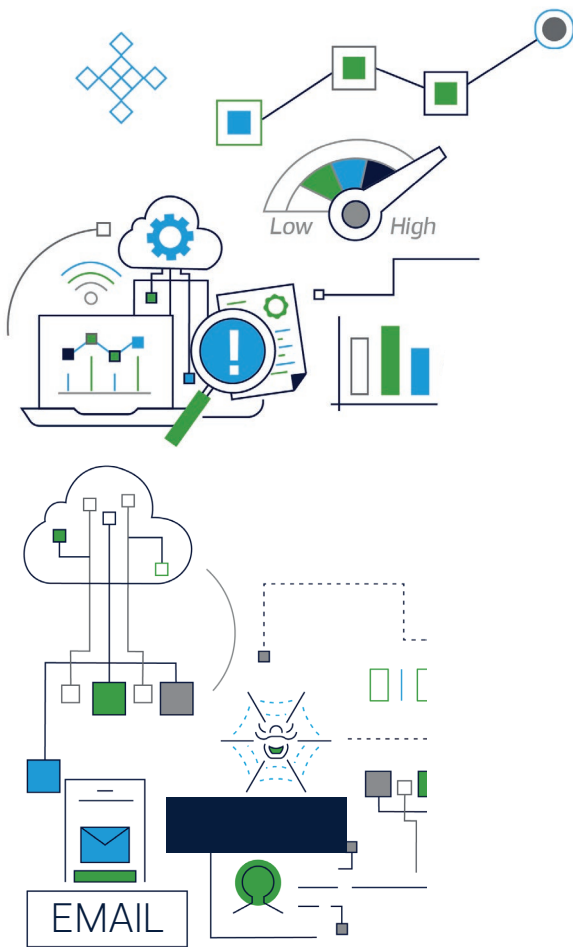


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