

Key Changes on Sales and Service Tax ("SST") Policies





Service Tax

(Group K – Rental or Leasing Services)

Effective **1 January 2026**, changes affecting rental or leasing services are as follows:-

- Service Tax rate reduced from 8% to 6%.
- Annual threshold for Micro, Small and Medium Enterprises (MSMEs) exempted from paying Service Tax increased from RM1 million to RM1.5 million.
- Newly incorporated MSMEs is given a **1-year exemption** from their registration date.



Sales Tax

(Exemption on Critical Raw Materials)

With effect from **1 January 2026**, agricultural inputs used by Registered Manufacturers are exempted.

This aims to reduce the cost of essential goods for the people. The exemptions cover the following:

- Animal feed;
- Fertilisers; and
- Pesticides



Service Tax

(Group L – Construction Services)

Service Tax on construction agreements signed **before 1 July 2025** without a reviewable clause will continue to be exempted until **30 June 2027** (initially until 30 June 2026).

This provides a total of **2 years of exemption** for construction agreements signed before expansion of SST.

Service Tax

(Group L – Construction Services)

Effective **1 July 2025**, an exemption is given for construction services related to places of worship such as mosques, churches, and temples.

Accordingly, construction of religious buildings is not subject to Service Tax.

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