

## TRANSITIONAL GUIDANCE ON CHANGE OF SERVICE TAX RATE



As of 1 March 2024, the service tax rate will increase from 6% to 8% for all prescribed taxable services, with the exception of the following:

- (i) Food and beverage services;
- (ii) Telecommunications services;
- (iii) Parking space services; and
- (iv) Logistics services (new prescribed taxable service).

The other new prescribed taxable services that come into effect on the same date and attract service tax at the standard rate of 8% are as follows:

- (i) Karaoke centre services; and
- (ii) Brokerage and underwriting services for non-financial services.

To ensure a smooth transition for businesses, the Royal Malaysian Customs Department has released a draft guideline dated 7 February 2024 on the transitional aspects of the rate change.

The key points highlighted in the guideline are summarised below:

### 1. Taxable services provided by a service tax registrant

Services performed	Scenario	Service tax rate
Commenced and completed before 1.3.2024	Regardless of timing of payment	6%
Commenced and completed on or after 1.3.2024	Payment received before 1.3.2024	6%
	Payment received on or after 1.3.2024	8%
Commenced before 1.3.2024 and spanning on or after 1.3.2024	Payment received on or after 1.3.2024	6% (on the value for the portion of service rendered before 1.3.2024)  8% (on the value for the portion of service rendered on or after 1.3.2024)
	Payment received before 1.3.2024	6%

As tabulated above, the date of invoice issuance is not a factor that requires consideration in determining the service tax rate to be charged.

### 2. Imported taxable services

Generally, the timing of service tax liability for imported taxable services is the earlier of the date when payment is made or invoice is received.

Services acquired	Scenario	Service tax rate
Acquired and completed before 1.3.2024	Regardless of the timing of invoice issuance and payment	6%
Acquired and completed on or after 1.3.2024	Invoice received before 1.3.2024 <b>OR</b> payment made before 1.3.2024	6%
	Invoice received on or after 1.3.2024 <b>AND</b> payment made on or after 1.3.2024	8%
Acquired before 1.3.2024 and spanning on or after 1.3.2024	Invoice received before 1.3.2024 <b>OR</b> payment made before 1.3.2024	6%
	Invoice received on or after 1.3.2024 <b>AND</b> payment made on or after 1.3.2024 (on the value for the portion of service spanning on or after 1.3.2024)	8%