

Updated Service Tax Guides issued by the Royal Malaysian Customs Department (RMCD)



Dear valued clients and business associates,

Businesses should take note of the recent changes and updates issued by RMCD, particularly in respect of the change of service tax rate from 6% to 8%.

It is crucial for businesses to re-evaluate all provision of services and ensure that the appropriate service tax treatment is applied.

There are various exemptions available for logistic service providers, whereby the updated conditions have expanded the scope of B2B exemption, allowing more businesses to benefit and mitigate the tax cascading effects in the logistic supply chain.

In the past months, the RMCD has issued several updated guides (in Malay version) on the changes to the service tax rates and implications.

The updated service tax guides are as follows: –

1. Guide on Accommodation Services dated 26 February 2024
2. Guide on Consultancy, Training and Coaching Services dated 29 February 2024
3. Guide on Logistic Services dated 5 April 2024
4. Guide on Employment Services dated 14 May 2024
5. Guide on Customs Agent dated 30 May 2024

We summarise the salient points of each of the updated guides as follows: –


1. Updated Guide on Accommodation Services

The determination of service tax rate for provision of taxable services under Group A – Accommodation with effect from (w.e.f.) 1 March, 2024.

Taxable Services	Determination of service tax rate
a. Provision of accommodation premises: – <ul style="list-style-type: none"> i. Accommodation package only ii. The accommodation package including breakfast 	8% 8%
b. Provision of any other services specified in other Groups in the First Schedule of the Service Tax Regulations 2018: – <ul style="list-style-type: none"> i. Food and beverage (“F&B”) services ii. Parking services iii. Other taxable services such as massage parlour, event management, business centre 	6% 6% 8%
c. Provision of other services within the area or place of business under the control of the service provider: – <ul style="list-style-type: none"> i. Rental of advertising space ii. Rental of business space iii. Wedding packages inclusive of provision of banquet/catering, venue preparation and rental of equipment/live band/karaoke iv. Seminar/ Training/ Meeting/ Course package includes provision of accommodation, F&B services, telecommunication services (internet), rental of seminar hall/ meeting room or others such as LED equipment/ microphones 	8% 8% 8% 8%
d. Supply or sale of: – <ul style="list-style-type: none"> i. Cigarettes; ii. Tobacco products; iii. Smoking pipes (including pipe bowls); iv. Electronic cigarettes and similar personal electric vaporizing devices; v. Preparation of a kind used for smoking through electronic cigarettes and electric vaporizing device in form of liquid or gel, whether or not it contains nicotine; or 	8%



2. Updated Guide on Consultancy, Training and Coaching Services

<p>The service tax rate for the provision of consultancy, training and coaching services w.e.f. 1 March, 2024</p>	<p>8%</p>
<p>Advisory services by a Non-Executive Director (NED)</p>	<p>Contract for service The provision of advisory services by a person appointed as a NED in his/her personal capacity under a <u>contract for service</u> is subject to service tax.</p> <p>The following paid to a NED under a contract for service is also subject to service tax: –</p> <ol style="list-style-type: none"> Director's remuneration / fee Director's allowance Benefit in the form of goods* Reimbursement Disbursement*  <p><i>*Note: The following services provided by the director are not subject to service tax:</i></p> <p>Benefit in the form of goods Benefits in kind are also part of the remuneration package and they are an additional incentive for directors. NED can receive benefits like allowance in terms of cash given directly by the appointing company and it is subject to service tax. However, the facility paid directly by the company to the service provider to be enjoyed by the NED, is not subject to service tax.</p> <p>Disbursement If the prescribed conditions are met, the disbursement incurred by the NED (for the provision of advisory services) is not subject to service tax.</p> <p>Contract of service The provision of advisory services by a person appointed as a NED in the capacity of a position held under a <u>contract of service</u> is not subject to service tax.</p>
<p>Training and coaching services</p>	<p>RMCD has removed the subject matter for training and coaching services which is in line with the Service Tax (Amendment) Regulations 2024. This means that the taxability of training and coaching services is no longer determined by the subject matter (i.e. whether the provision of training and coaching services relates to goods, land or matters outside Malaysia).</p>

3. Updated Guide on Logistic Services

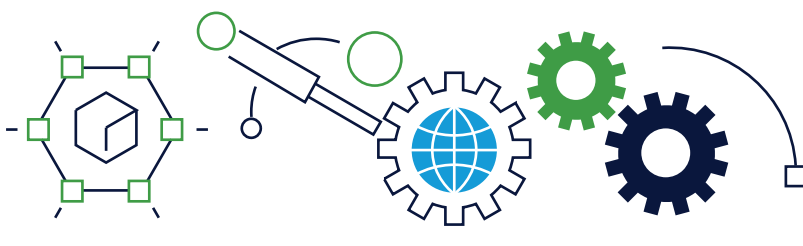
<p>Clarification on service tax on logistic services</p>	<p>Service tax is not levied on duty, taxes, levy charges or any gazette payment fees.</p>
<p>Exclusion of taxable services under logistic services</p>	<p>The inclusion of item (e) – documents, packages or goods which arrive in Malaysia for the purpose of transit to another place outside Malaysia through sea/air/land transport. This is in line with Service Tax Policy 4/2024.</p>
<p>Business to business exemption (B2B)</p>	<p>The condition has been revised from “the exempted taxable services are the same services provided by the person exempted from payment of tax” to “<i>the exempted taxable services are the services under the same item provided by the person exempted from payment of tax</i>”</p> <p>Registered logistic service providers should take note of the following: –</p> <ol style="list-style-type: none"> a. this exemption is given specifically to service recipient who obtained the <u>same item</u> of services from the service provider. b. The B2B exemption is self-compliance and no application for exemption is required. c. Service provider is responsible to identify the eligibility of the service recipient for exemption, to indicate the B2B exemption in the invoice issued to the service recipient and to declare under item 18(c) of the SST-02 return.
<p>Tax treatment for logistic services, excluding customs agent services, provided in Special Area (SA) and Designated Area (DA) are exempted from service tax.</p>	<p>The exemption relates to services provided:</p> <ol style="list-style-type: none"> i. within the SA – by a service provider (whose main place of business is in SA) to a service recipient (whose main place of business is in SA). ii. within the DA – by a service provider (whose main place of business is in DA) to a service recipient (whose main place of business is in DA). iii. between a place in DA to a place in SA, or vice versa – by a service provider (whose main place of business is in DA or in SA) to a service recipient (whose main place of business is in DA or in SA).
<p>Service tax exemption on ocean freight charges for the delivery of goods using sea transport mode</p>	<p>Limited to the following destinations: –</p> <ol style="list-style-type: none"> i. Peninsular Malaysia to Sabah/Sarawak/Labuan; ii. Sabah/Sarawak/Labuan to Peninsular Malaysia; and iii. Between Sabah, Sarawak and Labuan. <p>The exemption above excludes the transportation of goods using river routes in Sabah and Sarawak.</p>

4. Updated Guide on Employment Services

<p>Service tax rate for the provision of employment services w.e.f. 1 March 2024</p>	<p>8%</p>
<p>Recovery of expenses</p>	<ul style="list-style-type: none"> ▪ Current tax treatment If the mark-up and recovery of expenses were itemized in the invoice, only the mark-up is subject to service tax. ▪ Change in tax treatment If the recovery includes an element of mark-up, the whole recovery and mark-up is subject to service tax. <p>It appears that RMCD has taken a stand that if there is an element of mark-up, the whole amount will be subject to service tax regardless of whether the mark-up is itemized in the invoice.</p> <p><i>*Note: The recovery of expenses refers to emolument, levy fee, fare to Malaysia, work permit, insurance fees, etc.</i></p>

5. Updated Guide on Custom Agent Services

<p>Custom Agent services</p>	<p>With effect from 26 February 2024, Customs agent service is classified under Group J (Logistic services), item 2, First Schedule of the Service Tax Regulations 2018.</p>
<p>B2B exemption under item 5, Service Tax (Persons Exempted from Payment of Tax) Order 2018</p>	<p>Custom agents are granted B2B exemption provided the same item is acquired by the service recipient under Group J, item 2, First Schedule of the Service Tax Regulations 2018.</p> <p>Non application of B2B exemption</p> <p>Logistic services acquired under item 1(a) such as freight forwarding services, port and airport management services, logistic management services and etc.</p>



TAX PROFESSIONAL TEAM

Dato' Robert Teo

Head of Tax

T +603 2610 2886

E robertteo@rsmmalaysia.my

CORPORATE TAX COMPLIANCE

Anston Cheah

Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Lim Sok Juan

Associate Director

T +603 2610 2842

E limsj@rsmmalaysia.my

Nicole Chong

Director

T +603 2610 2830

E nicole.chong@rsmmalaysia.my

Soong Kim How

Associate Director

T +603 2610 2848

E soongkh@rsmmalaysia.my

TAX ADVISORY

Anston Cheah

Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Lee Pei Fern

Manager

T +603 2610 2995

E leepf@rsmmalaysia.my

INDIRECT TAX

Mayadevi Karpayah

Director

T +603 2610 2831

E mayadevi@rsmmalaysia.my

Kalvinder Singh

Senior Manager

T +603 2610 2863

E kalvinders@rsmmalaysia.my

TAX AUDIT AND INVESTIGATION

Anston Cheah

Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Rachel Low

Associate Director

T +603 2610 2988

E lowwl@rsmmalaysia.my

PERSONAL TAX

Mayadevi Karpayah

Director

T +603 2610 2831

E mayadevi@rsmmalaysia.my

Lynda Harun

Senior Manager

T +603 2610 2832

E lynda@rsmmalaysia.my

TRANSFER PRICING

Anston Cheah

Executive Director

T +603 2610 2829

E anston.cheah@rsmmalaysia.my

Bavahni Kumar

Assistant Manager

T +603 2610 2863

E bavahni.kumar@rsmmalaysia.my

RSM Tax Consultants (Malaysia) Sdn Bhd

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

Johor Bahru Office

Suite 16-02, Level 16, Menara Landmark,
No. 12, Jalan Ngee Heng,
80000 Johor Bahru,
Malaysia

General Email askus@rsmmalaysia.my
Website www.rsmmalaysia.my

RSM Tax Consultants (Malaysia) Sdn Bhd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.