

# E-TAX NEWS

INDIRECT TAX EDITION –  
01/2024

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### **Service Tax From 6% To 8% Effective 1<sup>st</sup> March 2024 And Proposed Transitional Rules**



# OVERVIEW

One of the key highlights in the tabling of Budget 2024 on 13 October 2023 was the proposal to **increase the service tax rate from 6% to 8%**, effective from **1<sup>st</sup> March 2024**. Such increase of service tax rate applies to all taxable services **except** for food and beverage services, telecommunication services, provision of car park services and logistics services.

In line with the increase of the service tax rate, the Royal Malaysian Customs Department (“RMCD”) has released the **Draft Guide on Transitional Rules of Service Tax Rate** (“the Guide”) dated **7 February 2024** to provide further clarity and guidance on the transitional aspects of the increase in service tax rate from 6% to 8%. The Guide, which is only available in Bahasa Malaysia, can be accessed from the MySST official portal ([link](#)).

Given that the transitional period is just around the corner, it is therefore essential for the affected businesses to be well informed on how it may impact your business.

In this edition of PKF e-Tax News, we have summarised the salient points of the Guide for your ease of understanding. Please note that the Guide remains to be in draft mode which may be subject to further changes/ revisions.

## TAX RATE AND EXPANSION OF SCOPE FOR SERVICE TAX



The Minister of Finance (“MOF”) has set the service tax rate to be increased from **6% to 8%** from **1<sup>st</sup> March 2024** on **all existing taxable services (including digital services and imported taxable services)** except for:

- a) Food and beverage;
- b) Telecommunications services; and
- c) Provision of parking spaces.

The MOF has also expanded the scope of taxable services with effect from 1<sup>st</sup> March 2024. The **new taxable services** and the corresponding service tax rates are as follows:

New taxable services effective 1 <sup>st</sup> March 2024	Service tax rate
Logistics services (Group J)	6%
Karaoke centre (Group C)	8%
Maintenance and/ or repair services (Group G)	8%
Brokerage and underwriting services other than financial services (Group I)	8%

# TRANSITIONAL RULES

## Taxable Services

The determination of the service tax rate for taxable services provided shall be based on the **date the service is provided**.

Date of provision of taxable services	Rate
Before 1 <sup>st</sup> March 2024	6%
On or after 1 <sup>st</sup> March 2024	8%

In the event that taxable services are provided before and after 1<sup>st</sup> March 2024 (i.e., spanning), the service tax rate imposed shall be **apportioned** based on the above rules.

However, it is imperative to note that regardless of the registered person's service tax accounting basis (i.e., payment basis or invoice basis), **for any payment received before 1<sup>st</sup> March 2024 in relation to any service provided on/ after 1<sup>st</sup> March 2024, the service tax rate remains at 6%.**



Below is the summary table on the transitional rules for taxable services:

Services performed		Invoice date		Payment date		Rate	Remarks
Before 1.3.24	On/ after 1.3.24	Before 1.3.24	On/ after 1.3.24	Before 1.3.24	On/ after 1.3.24		
X		X		X		6%	Old rate applies
X			X	X		6%	Old rate applies
X		X			X	6%	Old rate applies
X			X		X	6%	Old rate applies
	X	X		X		6%	Rate remains at 6% due to payment received before 1.3.24
	X		X		X	8%	New rate applies
	X	X			X	8%	Debit note to be issued for the increase of service tax rate by 2%

# TRANSITIONAL RULES

## Imported Taxable Services

The determination of the service tax rate for imported taxable services acquired shall be based on the **date the taxable services were obtained**.

Date of imported taxable services acquired	Rate
Before 1 <sup>st</sup> March 2024	6%
On or after 1 <sup>st</sup> March 2024	8%



Where the imported taxable services are acquired for the period before and after 1<sup>st</sup> March 2024 (i.e., spanning), the service tax rate imposed shall be **apportioned** based on the above rules.

However, in the event of any imported taxable service becoming due (i.e., payment made or invoice received, whichever is earlier) before 1<sup>st</sup> March 2024 in respect of the imported taxable service acquired on/ after 1<sup>st</sup> March 2024, the service tax on imported taxable services that have become due are charged at the old rate of 6%.

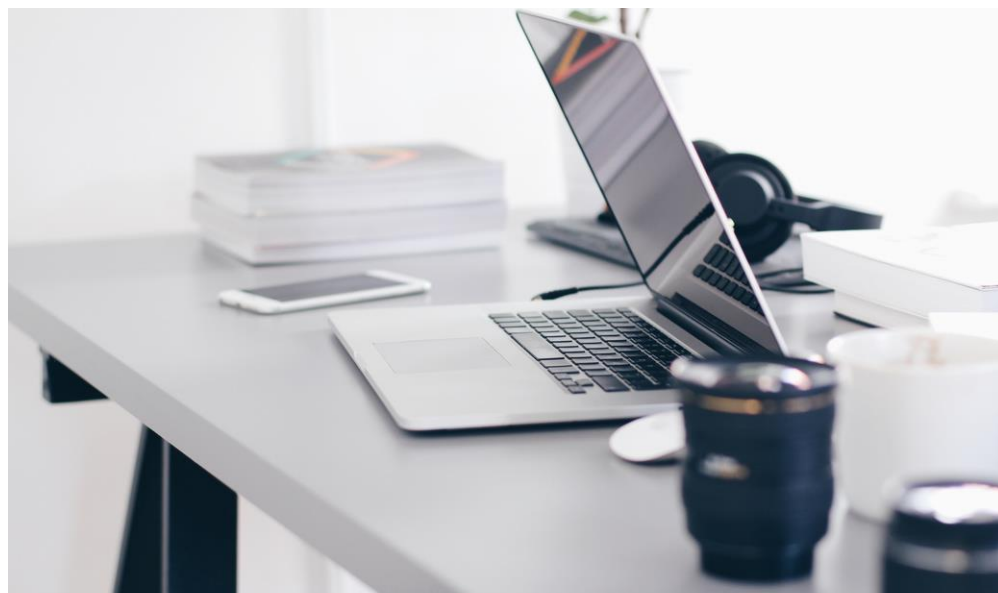
Below is the summary table on the transitional rules for imported taxable services:


Imported services acquired		Invoice received date		Payment date		Rate	Remarks
Before 1.3.24	On/ after 1.3.24	Before 1.3.24	On/ after 1.3.24	Before 1.3.24	On/ after 1.3.24		
X		X		X		6%	Old rate applies
X		X			X	6%	Old rate applies
X			X		X	6%	Old rate applies
X			X	X		6%	Old rate applies
	X	X		X		6%	Rate remains at 6% due to invoice date before 1.3.24
	X	X			X	6%	Rate remains at 6% due to invoice date before 1.3.24
	X		X	X		6%	Rate remains at 6% due to payment date before 1.3.24
	X		X		X	8%	New rate applies

# HOW CAN WE HELP?

Should you have any questions or concerns, our team of department professionals would be pleased to discuss and assist you. Please feel free to contact us:

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