



## SERVICE TAX POLICY NO. 2/2025 (Amendment No. 2)

**THE MINISTER OF FINANCE**, pursuant to paragraph 34(3)(a) of the Service Tax Act 2018, exempts the payment of service tax with **effect from 1 July 2025** for –

### RENTAL OR LEASING SERVICES

Group K, First Schedule  
Service Tax Regulations 2018

NO.	EXEMPTION	CONDITIONS
1.	The federal government and the state governments are exempted from paying or imposing service tax on rental or leasing services.	This exemption only applies to rental or leasing services that take effect from 1 July 2025.
2.	Local authorities (PBT) are exempted from paying or imposing service tax on rental or leasing services from 1 July 2025 to 30 September 2025.	This exemption only applies to rental or leasing services that take effect from 1 July 2025.
3.	Non-reviewable contracts are exempted from paying service tax for the period from 1 July 2025 to 30 June 2026.	(a) The service provider is a person registered for service tax;  (b) The contract does not contain any price review clause or value adjustment mechanism;  (c) The contract is made in writing, signed, and duly stamped with stamp duty by the Inland Revenue Board of Malaysia (LHDN) on or before 9 June 2025;  (d) The contract clearly states:  (i) the type of service provided; (ii) the fixed contract value; (iii) the contract duration; and  (e) The contract remains in force after 1 July 2025.



NO.	EXEMPTION	CONDITIONS
4.	Tenants with Small and Micro Enterprise (SME) status are exempted from paying service tax on the acquisition of rental or leasing services.	<p>(a) The tenant must make a declaration and register the SME through the MyPMK system developed by the Royal Malaysian Customs Department (RMCD);</p> <p>(b) The annual sales of the PMK must not exceed RM1,000,000.00 based on the latest assessed annual income declared to the Inland Revenue Board of Malaysia (LHDN);</p> <p>(c) The annual sales of the SME must be updated every year to RMCD;</p> <p>(d) The tenant shall be responsible for any information declared to RMCD;</p> <p>(e) If the declaration is found to be untrue, RMCD may recover the service tax that was not eligible for exemption; and</p> <p>(f) Other conditions as determined by the Director General of Customs, Deputy Director General of Customs, or Assistant Director General of Customs (Internal Tax Division) for the purpose of ensuring smooth operations and enforcement.</p>
5.	Group relief is granted to companies within a group that receive rental or leasing services from any other company within the same group, whether inside or outside Malaysia.	Refer to <b>APPENDIX A.</b>
6.	Rental or leasing services of aircraft and ships are exempted from service tax.	<p>(a) All aircraft are included except drones.</p> <p>(b) Ships include any vessel that sails or moves on or under water, but exclude floating storage units (FSU) and similar vessels.</p>



NO.	EXEMPTION	CONDITIONS
7.	The business-to-business (B2B) exemption facility on rental or leasing services for the period from 1 July 2025 to 31 August 2025 is granted to rental or leasing service providers who newly reach the registration threshold in July 2025 and have applied for service tax registration on or before 31 August 2025.	(a) A refund claim on service tax that has been declared and paid in the SST-02 return is allowed and must be submitted on or before 30 November 2025; and  (b) The claim is made by the rental or leasing service provider after refunding the amount of service tax collected to the recipient of the rental or leasing service.



**APPENDIX A**  
STP No. 2/2025 (Amendment No. 2)

**Conditions for Group Relief Granted to Companies Within a Group That Receive Rental or Leasing Services From Any Other Company Within the Same Group, Whether Inside or Outside Malaysia**

1. If a company in a group of companies provides any rental or leasing services in column (2) in Group K to any company in the same group of companies, such services are exempt from payment of service tax.
  2. A company shall be deemed to control another company if—
    - (i) the first mentioned company holds—
      - (a) directly;
      - (b) indirectly through subsidiaries; or
      - (c) together directly or indirectly through subsidiaries,  
more than fifty percent of the paid-up capital issued by the second-mentioned company; or
    - (ii) the first mentioned company holds—
      - (a) directly;
      - (b) indirectly through subsidiaries; or
      - (c) together directly or indirectly through subsidiaries,  
from twenty percent to fifty percent of the issued share capital of the second mentioned company and the first mentioned company has exercisable power to appoint or remove all or a majority of directors in the board of directors in the second mentioned company.
  3. Shares shall be treated as not held if the shares are held—
    - (i) through nominees;
    - (ii) in a fiduciary capacity; or
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- (iii) by virtue of provisions of debenture holding, trust deeds for securing debentures or money lending activities.
4. Where a company is controlled by pursuant to paragraphs 2(i) and (ii) by two or more companies, such company (second mentioned company) shall be taken to be controlled by the first mentioned company which has the exercisable power to appoint or remove all or a majority of directors in the board of directors in the second mentioned company.
  5. If a company in a group of companies acquires rental or leasing services from any company other than foreign registered person within the same group of companies outside Malaysia, such service are exempted from payment of service tax.
  6. If a company provides rental or leasing services to any person outside the group of companies, the same taxable services provided to any company outside or within the group of companies shall be a taxable services.
  7. Regardless of what is in paragraph 6 , if a company provides rental or leasing services to another persons outside the group of companies, the same taxable service provided to any company within the group of companies shall be exempted from payment of service tax, provided that the total value of taxable services to another person outside the group of companies in that month and the eleven months immediately succeeding that month does not exceed an amount equal to five per cent of the total value of taxable services.



**List of Amendments:**

No.	Description of Amendments	Effective Date
1.	To replace the clauses in the "EXEMPTION" and "CONDITIONS" sections for items 1 to 7.	1 July 2025

**Notification:**

Service Tax Policy No. 2 and Service Tax Policy No. 2 (Amendment No. 1) are revoked and replaced with Service Tax Policy No. 2 (Amendment No. 2), effective from 1 July 2025.

**Disclaimer:**

The service tax policy issued herein is subject to amendments should there be any changes to the relevant policy.

**INTERNAL TAX DIVISION HEADQUARTERS  
ROYAL MALAYSIAN CUSTOMS DEPARTMENT**

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