SERVICE TAX 2018

GUIDE

1. **HEALTHCARE SERVICES BY PRIVATE HEALTHCARE FACILITIES**
2. **PRACTICE OF TRADITIONAL AND COMPLEMENTARY MEDICINE PRIVATE SERVICES**
3. **PRIVATE ALLIED HEALTH RELATED SERVICES**

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This information is intended to provide a general understanding of the relevant treatment under Service Tax legislations and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

CONTENT

INTRODUCTION

1. Service tax is a consumption tax governed by the Service Tax Act 2018 and its subsidiary legislation. The effective date of the Service Tax Act 2018 is 1 September 2018.

2. Service tax is imposed on prescribed services which is known as “taxable services”.

3. Taxable services are referring to the list of services prescribed in the First Schedule, Service Tax Regulations 2018.

4. Any person who is in carrying on his business which providing taxable services and such services has exceeded the prescribed threshold value within twelve months are required to be registered under the Service Tax Act 2018. The person is to be known as a “registered person” and he is required to charge service tax on the taxable services perform to his clients.

5. This guide is prepared to assist businesses in understanding matters with regards to service tax treatment on healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and allied health related services.

IMPOSITION AND SCOPE OF TAX

6. Effective 16 June 2025, there are 3 new services which have been prescribed as taxable services under Group I, First Schedule, Service Tax Regulations (STR) 2018 as follows:

(i) Healthcare services by private healthcare facilities;

(ii) Practice of Traditional and complementary medicine private services; or

(iii) Allied health related services.

7. The Minister of Finance has determined the service tax rate for these 3 new services as in paragraph 6 at 6% on the specified effective date.

HEALTHCARE SERVICES BY PRIVATE HEALTHCARE FACILITIES

TERMINOLOGY

8. For the purposes of this guide, the words used have the following meanings:

8.1 "healthcare services" including—

(a) medical, dental, nursing, midwifery, allied health, pharmacy, and ambulance services and any other service provided by healthcare professional;

(b) accommodation for the purpose of any service provided;

(c) any service for the screening, diagnosis, or treatment of persons suffering from, or believed to be suffering from any disease, injury or disability of mind or body;

(d) any service for preventive or promotive health purposes;

(e) any service provided by any para-healthcare professional;

(f) any service for curing or alleviating any abnormal condition of the human body by the application of any apparatus, equipment, instrument or device or any other medical technology; or

(g) any health-related services.

(Section 2, Private Healthcare Facilities and Services Act 1998 [Act 586]).

8.2 "**private healthcare facility**" means any premises, other than a Government healthcare facility, used or intended to be used for the provision of healthcare services or health-related services, such as a private hospital, hospice, ambulatory care centre, nursing home, maternity home, psychiatric hospital, psychiatric nursing home, community mental health centre, haemodialysis centre, medical clinic, dental clinic and such other healthcare or health-related premises as the Minister may from time to time, by notification in the Gazette, specify; (Section 2, *Private Healthcare Facilities and Services Act 1998 [Act 586]*).

8.3 "**private healthcare facility provider"** means any person providing private healthcare services and facilities to recipients.

8.4 "**healthcare professional**" includes a medical practitioner, dental practitioner, pharmacist, clinical psychologist, nurse, midwife, medical assistant, physiotherapist, occupational therapist and other allied healthcare professional and any other person involved in the giving of medical, health, dental, pharmaceutical or any other healthcare services under the jurisdiction of the Ministry of Health. *(Section 2, Private Healthcare Facilities and Services Act 1998 [Act 586]*).

8.5 'citizen' refers to an individual who has Malaysian citizen status in their identity card or birth certificate document issued by the National Registration Department (NRD).

8.6 **"non-citizen"** refers to an individual who is not a Malaysian citizen as defined by Malaysian citizenship laws. It also refers to any person who has the following identification documents:

(i) Foreign national with a passport or visa identification document;
(ii) Permanent resident (PR) with a MyPR identification document;
(iii) Temporary resident with a MyKAS identification document; or
(iv) Non-citizen birth certificate

8.7 **"designated area"** means Labuan, Langkawi, Tioman, Pangkor and Pulau 1. *(Section 2, Service Tax Act 2018)*.

8.8 "**special area**" means any free zone, licensed warehouse and licensed manufacturing warehouse, the Joint Development Area, and a petroleum supply base licensed under section 77B of the Customs Act 1967; *(Section 2, Service Tax Act 2018).*

INDUSTRIAL OPERATIONS IN GENERAL

Scope of Healthcare Services

9. For the purpose of service tax expansion, healthcare services are subject to service tax.

SERVICE TAX TREATMENT ON HEALTHCARE SERVICES

Taxable Person

10. Taxable person is any person who operates or provides a private healthcare facility registered or licensed under the Private Healthcare Facilities and Services Act 1998 [*Act 586*] excluding—

(a) any university or university college registered under the Universities and University Colleges Act 1971 [Act 30] or the Universiti Teknologi MARA Act 1976 [Act 173] which operates or provides private healthcare facilities; or

(b) the private healthcare facilities as follows:
- (i) University Malaya Specialist Centre;
- (ii) Universiti Kebangsaan Malaysia Specialist Centre;
- (iii) Universiti Teknologi MARA Medical Specialist Centre; and
- (iv) International Islamic University Malaysia Medical Specialist Centre.

11. Private healthcare facilities registered or licensed under the Private Healthcare Facilities and Services Act 1998 [Act 586] including consultations by private healthcare professionals who provide healthcare services to non-citizens and taxable services that have reached the prescribed threshold value are subject to registration as registered persons under the Service Tax Act 2018. Among the healthcare service providers are as follows:
(a) Private Hospitals;
(b) Private Psychiatric Hospital;
(c) Private Ambulatory Care Center (ACC);

(d) Private Nursing Home;
(e) Private Psychiatric Nursing Home;
(f) Private Maternity Home;
(g) Private Blood Bank;
(h) Private Hemodialysis Center;
(i) Private Hospice;
(j) Private Community Mental Health Center;
(k) Private Medical Clinic;
(l) Private Dental Clinic;
(m) any private healthcare facilities or services or other health-related services as may be determined by the Minister, from time to time, by notification in the Gazette; and
(n) a private healthcare premises incorporating any two or more of the facilities or services in paragraphs (a) to (m)

12. However, healthcare professionals who work as permanent or contract appointments in private healthcare facilities are not liable to become SST Registered Person.

Threshold Value on Taxable Service

13. The threshold value on taxable services is the actual value of all healthcare services by private healthcare facilities provided to citizens and non-citizens.

14. Service tax becomes due at the time of payment received for taxable services provided by private healthcare facility providers. For imported taxable services, service tax becomes due at the time of payment received or issuance of invoice for the services, whichever is earlier.

15. The value of healthcare services provided by private healthcare facilities to citizens and non-citizens is RM1,500,000 for a twelve-month period. Therefore, any private healthcare facility that has reached the specified threshold value is required to apply as a registered person and charge on service tax.

Taxable Services

16. All types of healthcare services provided by private healthcare facilities are subject to service tax including the following services:

(a) any medical, dental, nursing, midwifery, allied health, pharmacy and ambulance services provided by healthcare professionals;

(b) accommodation for the purpose of providing healthcare services;

(c) any service for the screening, diagnosis, or treatment of persons who is suffering from, or believed to be suffering from any disease, injury or disability of mind or body;

(d) any service for preventive or promotive health purposes;

(e) any service provided by any para-healthcare professional;

(f) Any consultation fees provided by any healthcare professional and registered medical practitioner;

(g) any service for curing or alleviating any abnormal condition of the human body by the application of any apparatus, equipment, instrument or device or any other medical technology;

(h) any food services provided to patients by the registered or licensed healthcare facility; or

(i) any mortuary services provided by the registered or licensed healthcare facility.

Examples of Taxable Services

17. Healthcare services by private healthcare facilities that are subject to service tax are as follows:

(i) Private healthcare facilities registered or licensed under Act 586 that act as panel clinics to companies and provide healthcare services to companies.

<u>Example 1</u>

Private Clinic A acts as a panel clinic for Company B Sdn Bhd and provides healthcare services to non-citizen employees working at Company B Sdn Bhd. Healthcare services provided by Private Clinic A to non-citizen employees working at Company B Sdn Bhd are subject to service tax including consultation fees by doctors.

(ii) Healthcare services provided by private healthcare professional through the contractual method in private healthcare facilities registered or licensed on at the premise private healthcare facilities or at any situation, where there is a need, at a private hospital.

<u>Example 2</u>

Dr. AC is a surgeon working at AA Private Hospital for three days work in a week schedule at the hospital. Treatment bills for non-citizen patients issued by AA Private Hospital is including consultation fees. Private healthcare services provided by Dr. AC to non-citizens are subject to service tax.

(iii) Healthcare services provided by private healthcare professional in private healthcare facilities in residential / patient's home.

<u>Example 3</u>

Dr. AC is a medical doctor at AA Private Hospital. One of his patients, named Mr. DD, who is a non-citizen, is required to undergo a monthly follow-up examination. On a particular month, Dr. AC had to travel to Mr. DD's home in Ampang, Selangor because he is bedridden. Healthcare services provided by Dr. AC to non-citizen patient's residence / home is subject to service tax including consultation fees by the doctor.

(iv) Private healthcare services to non-citizens provided by a registered or licensed private healthcare facility to another registered or licensed private healthcare facility including outsourced healthcare services

<u>Example 4</u>

Miss EE is a non-citizen and has sought treatment services for critical illness at Private Hospital AA. However, Private Hospital AA has obtained outsourcing healthcare services for blood tests and x-ray imaging from Syarikat Makmal ZZ, Kuala Lumpur. All types of critical illness treatment costs, room charges, medicines, treatment procedures, medical equipment including Miss EE's blood tests and x-ray imaging are subject to service tax including consultation fee by doctor.

(v) Any sale of goods used as medical aids to patients by private healthcare facilities is not subject to service tax. Examples of medical aids for patients are as follows:

Types of Medical Aids

1.	*Hearing aid battery*	17.	*Upper limbs brace*
2.	*Hearing accessories*	18.	*Neck collar*
3.	*Hearing aid accessories*	19.	*Prosthetics & orthotics*
4.	*Hearing aid*	20.	*Elbow brace*
5.	*Implantable hearing aid*	21.	*Velcro*
6.	*Cochlear implant*	22.	*Oedema gloves*
7.	*Spirometer*	23.	*Ring splint*
8.	*Binder*	24.	*Dynamic splint*
9.	*Walker*	25.	*Wrist & thumb splint*
10.	*Crutchers*	26.	*Elbow strap*
11.	*Arm sling*	27.	*Wrist splint*
12.	*Cast*	28.	Walking stick
13.	*Collar*	29.	Nebulizer machine
14.	*Exercise accessories*	30.	Wheel chair
15.	*Spine brace*	31.	Artificial limbs
16.	*Lower limbs brace*	32.	Visual aids

Example 5

Mr. DD, a non-citizen, suffered from severe asthma during a family holiday to Malaysia. He was sent by his wife to AA Private Hospital for treatment of serious respiratory problems for two nights. Dr. AC, who treated Mr. DD, has advised him to purchase additional medical equipment, which is a nebulizer machine that would help to relieve the breathing problems at his home after returning from the hospital. All cost on healthcare treatment at the hospital and the charges for the room accommodation are subject to service tax, including the doctor's consultation fee. Meanwhile, a nebulizer machine which help to relieve breathing problems used at home is not subject to service tax.

(vi) Imported taxable services whether provided to or by a private healthcare facility in the course of furtherance for business activities in healthcare services are subject to service tax.

Example 6

Mr. DD, a non-citizen businessman, suffered a heart attack while on business trip in Penang. He sought treatment from Dr. AC, a cardiologist at AA Private Hospital. Additionally, Dr. AC sought a second opinion from a cardiologist at the renowned Heart Hospital, London, United Kingdom to help resolve the health issues suffered by Mr. DD. All costs of healthcare treatment including room accommodation charges, consultation fees from Dr AC and cardiac specialist at Heart Hospital, London, United Kingdom are subject to service tax.

(vii) Any facility that provides or operates midwifery services and is registered under the Act 586.

Example 7

Madam EE, a non-citizen, has safely given birth to her child in Malaysia. She has used the midwifery services at the Confinement Centre in Putrajaya after giving birth and staying for 40 days. The midwifery *services provided by the Confinement Centre including the accommodation charges to Madam EE are subject to service tax.*

Example 8

Mr MH is a Malaysian citizen and has a wife Mrs FF who is a non-citizen and has safely given birth to his child through normal procedure at ABC Confinement Centre, Putrajaya. He used the midwifery services at ABC Confinement Centre in Putrajaya for 3 days and 2 nights. However, Mr MH did not have time to register the Malaysian birth certificate for his child at the National Registration Department (NRD) when his wife and baby were discharged from ABC Confinement Centre. Accordingly, all maternity and baby care services including accommodation charges, medicines and doctor consultation fees are subject to service tax.

Example 9

Mr AZ is a Malaysian citizen and has a wife, Mrs SS, who is a non-citizen. She safely gave birth to her child by cesarean section at ABC Confinement Centre, Putrajaya. He used the midwifery services at ABC Confinement Centre in Putrajaya. The wife and the baby were treated for 14 days due to complications after delivery. Mr AZ has successfully registered the citizen birth certificate for his child at the National Registration Department (NRD) when the wife and baby were discharged from ABC Confinement Centre. Therefore, the medical bills on delivery and midwifery care services including accommodation charges, medicines and doctor consultation fees for Mrs SS are subject to service tax. Meanwhile, the medical treatment of the baby with a citizen birth certificate including accommodation charges, medicines and doctor consultation fees are not subject to service tax.

Taxable Services Relating to Designated *Areas*

18. Healthcare services provided by private healthcare facilities and registered private healthcare practitioners to non-citizens provided within or between designated areas or between designated areas and special areas excluding Pulau 1 are **not subject to service tax**.

<u>Example 10</u>

*Mr. DD is a non-citizen who came to Langkawi Island for a vacation with his family. However, he had a high fever and went to YY Medical Clinic in Chenang, Langkawi**.** All medical services including medicines provided by YY Medical Clinic in Chenang, Langkawi to Mr. DD are not subject to service tax.*

Taxable Services Relating to Special Areas

19. No service tax may be charged on healthcare services provided by private healthcare facilities and registered private healthcare practitioners to non-citizens provided within or between special areas or between special areas and designated areas.

Non-Taxable Services

20. Healthcare services that are not subject to service tax are those provided by any of the following:

(a) any university or university college registered under the Universities and University Colleges Act 1971 [Act 30] or the Universiti Teknologi MARA Act 1976 [Act 173] which operates or provides private healthcare facilities; or

(b) private healthcare facilities such as the following:

(i) University Malaya Specialist Centre;

(ii) Universiti Kebangsaan Malaysia Specialist Centre;

(iii) Universiti Teknologi MARA Medical Specialist Centre; and

(iv) International Islamic University Malaysia Medical Specialist Centre.

21. Healthcare services provided by Government healthcare services is not subject to service tax.

22. Government healthcare services is referring to any facility established, maintained, operated or provided by the Government but not including Government healthcare services which are privatized or incorporated.

Exempted Persons from Paying Service Tax

23. Malaysian citizens are exempted from paying service tax on healthcare services provided by private healthcare facilities.

PRACTICE OF TRADITIONAL AND COMPLEMENTARY MEDICINE PRIVATE SERVICES

TERMINOLOGY

24. For the purposes of this guide, the words used have the following meanings:

24.1 **"practice of traditional and complementary medicine"** means a form of health-related practices designed to prevent, treat or manage ailment or illness or preserve the mental and physical well-being of an individual and including practices such as traditional Malay medicine, traditional Chinese medicine, traditional Indian medicine, Islamic medical practice, homeopathy, and complementary therapies excluding medical and dental practices used by a medical and dental practitioner respectively. *(Section 3, Traditional and Complementary Medicine Act 2016 [Act 775])*;

INDUSTRIAL OPERATIONS IN GENERAL

Scope of Practice of traditional and complementary medicine private services

25. Any practice of traditional and complementary medicine private services provided is subject to service tax.

SERVICE TAX TREATMENT ON PRACTICE OF TRADITIONAL AND COMPLEMENTARY MEDICINE PRIVATE SERVICES

Taxable Person

26. Any person who operates or provides a place for practice of traditional and complementary medicine private services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [*Act 586*] are subject to service tax.

27. The provision of practice of traditional and complementary medicine private

services as follows:

(i) Traditional Malay Medicine;
(ii) Traditional Chinese Medicine;
(iii) Traditional Indian Medicine;
(iv) Homeopathy;
(v) Chiropractic;
(vi) Osteopathy; and
(vii) Islamic Medical Practices.

28. Any person who operates or provides a place for practice of traditional and complementary medicine private services is liable to become a Registered Person for SST if the operator or service provider or the employee who work in the place/premise is a registered practitioner under the Traditional and Complementary Medicine Practice Act 2016 (Act 775).

29. However, if the owner of the operator or service provider and its employee are not registered practitioners under the Traditional and Complementary Medicine Practice Act 2016 (Act 775), the operator or service provider is liable as a Registered Person for SST under the wellness centre as per item 2, column (1) of Group C, First Schedule, Service Tax Regulations 2018.

Threshold Value on Taxable Service

30. The threshold value on taxable services is referring to the actual value of all practice of traditional and complementary medicine private services provided to Malaysian citizens and non-citizens.

31. Service tax becomes due at the time of payment received for taxable services provided by any person operating or providing place for private practice of traditional and complementary medicine private services. For imported taxable services, service tax becomes due at the time of payment being made or invoice received for the services, whichever is earlier.

32. The taxable value of practice of traditional and complementary medicine

private services to Malaysian citizens and non-citizens is RM1,500,000 for a twelve-month period. Therefore, any person who operates or provides a place for practice of traditional and complementary medicine private services that has reached the prescribed threshold value is required to apply as a registered person and charge service tax.

Taxable Services

33. The provision of practice of traditional and complementary medicine private services is subject to service tax such as traditional Malay medicine, traditional Chinese medicine, traditional Indian medicine, Islamic medicine, homeopathy, and complementary therapy excluding medical and dental practices used by a medical and dental practitioner respectively.

Example of Taxable Services

34. Practice of traditional and complementary medicine provided by person who operates or provides a place for the traditional and complementary medicine private service such as acupuncture, ayurveda, homeopathy and Chinese medicines.

Example 11

Mr. DD, a non-citizen, underwent healthcare treatment at the SS Cancer Hospital, Kuala Lumpur for a week. He sought advice through the Medical Tourism Program from his country. The treatment Mr. DD underwent involved chemotherapy, radiotherapy including additional treatments such as acupuncture and Chinese medicine. All of Mr. DD's treatment bills for the week including the patient room accommodation charges generated by the SS Cancer Hospital are subject to service tax including consultation fees by the doctor.

Taxable Services Relating to Designated *Areas*

35. Practice of traditional and complementary medicine private services provided to non-citizens within or between designated areas or between designated areas and special areas excluding Pulau 1 are not subject to service tax.

Example 12

Miss EE is a non-citizen who came to Pangkor Island for a holiday with her family. However, she suffered a spinal injury due to a fall while climbing Bukit Kledang, Pangkor Island. She went to HH Chiropractic Center for spinal correction treatment. All The chiropractic treatment services provided at the HH Chiropractic Centre to Miss EE are subject to service tax.

Taxable Services Relating to Special *Areas*

36. No service tax shall be charged on practice of traditional and complementary medicine private services provided within or between special areas or between special areas and designated areas.

Non-Taxable Services

37. The provision of practice of traditional and complementary medicine provided by Government healthcare facilities is not subject to service tax.

38. Government healthcare facilities refer to any facilities established, maintained, operated or provided by the Government excluding privatized or incorporated Government healthcare facilities.

Exemption of Persons from Paying Service Tax

39. Malaysian citizens are exempted from paying service tax on the practice of traditional and complementary medicine private services.

ALLIED HEALTH RELATED SERVICES

TERMINOLOGY

40. For the purposes of this guide, the words used have the following meanings:

40.1 **"activities related to allied health"** means any of the following allied health related activities:

a) Audiology;
b) Dietetics;
c) Entomology (Public Health);
d) Physiotherapy;
e) Physics Medicine;
f) Nutrition
g) Psychology Clinical;
h) Radiography Diagnostics;
i) Science Laboratory Medicine;
j) Occupational Therapy;
k) Therapy Speech-Language;
l) Therapy Radiation;
m) Technology Laboratory Medicine;
n) Technology Dentistry;
o) Environmental Health; or
p) Health Education.

INDUSTRIAL OPERATIONS IN GENERAL

Scope of Allied Health Related Services

41. For the purpose of expanding the scope of service tax, any service related to allied health provided to non-citizen is subject to service tax.

TAX TREATMENT ON ALLIED HEALTH RELATED SERVICES

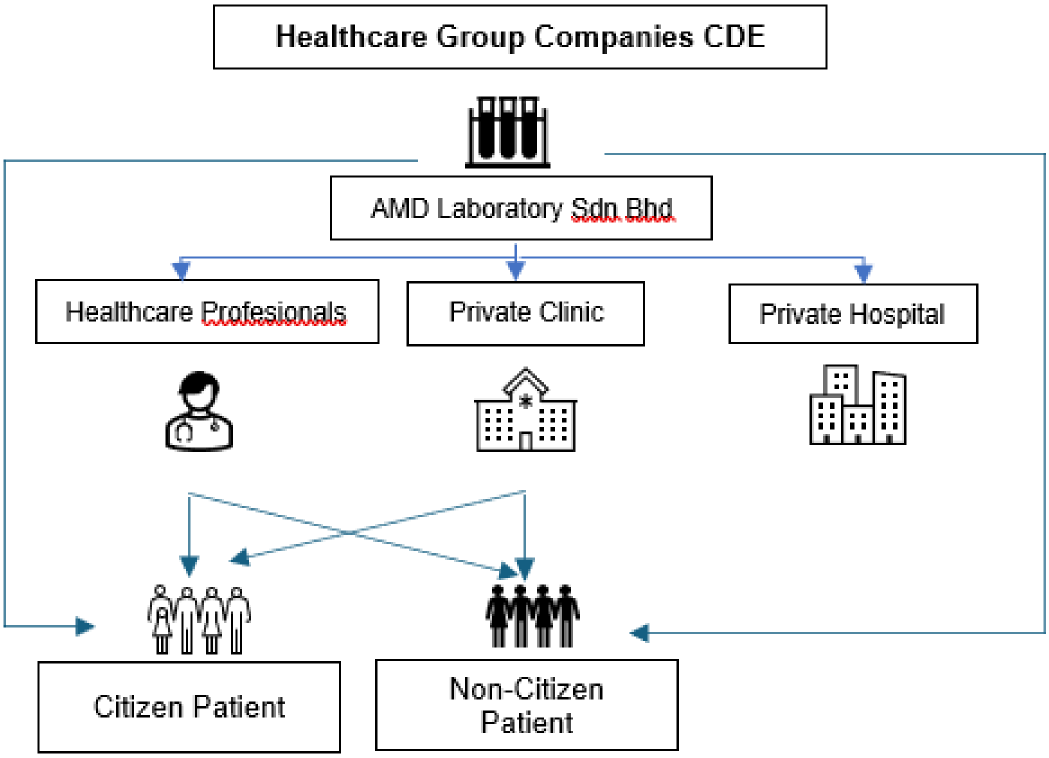
Taxable Person

42. Any person who operates or provides a place for the activity relating to private allied health private services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586] are subject to service tax.

43. The provision of allied health related private services involves activities as follows:

1) Audiology;
2) Dietetics;
3) Entomology (Public Health);
4) Physiotherapy;
5) Physics Medicine;
6) Nutrition
7) Psychology Clinical;
8) Radiography Diagnostics;
9) Science Laboratory Medicine;
10) Occupational Therapy;
11) Speech-Language Therapy;
12) Radiation Therapy;
13) Technology Laboratory Medicine;
14) Technology Dentistry;
15) Environmental Health; or
16) Health Education.

44. However, the operator or service provider of a place for private allied health related activities is not liable to become a Registered Person for SST if the total value of the private allied health related activities is provided to other private healthcare facilities including private medical professionals/healthcare practitioners. For example, the provision of services to collect patient specimen samples for laboratory tests such as blood tests or liquid samples such as urine provided to private hospitals, private clinics or private medical professionals.



Example 13

CDE Healthcare Group of Companies has a subsidiary company, AMD Laboratory Sdn Bhd, which provides laboratory testing services on human specimens and medical imaging such as urine tests, blood tests and x-ray imaging. AMD Laboratory Sdn Bhd provides the whole services limited to private professional doctors, private hospitals and private clinics only. AMD Laboratory Sdn Bhd does not provide services directly to any patients within their laboratory premises. Therefore, AMD Laboratory Sdn Bhd is not liable to be a Registered Person for SST and all services provided by AMD Laboratory Sdn Bhd are not subject to service tax.

Threshold Value on Taxable Service

45. The value of all taxable services subject to service tax is the actual value of all services on private allied health related services provided to Malaysian citizens and non-citizens.

46. Service tax becomes due at the time of payment received for taxable services provided by any person who operates or provides a place for the activity relating to private allied health services. For imported taxable services, service tax becomes due at the time of payment being made or invoice being received for the services, whichever is earlier.

47. The taxable value of services for private allied health related services to Malaysian citizens and non-citizens is RM1,500,000 for a twelve-month period. Therefore, any person who operates or provides a place for private allied health related activities that has reached the prescribed threshold value is required to apply as a registered person and charge service tax.

Taxable Services

48. Any service relating to private allied health provided by any person who operates or provides a place for the purpose of providing such services is subject to service tax.

49. Any person who operates or provides premises for activity relating to private allied health services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586] to non-citizens is subject to service tax as per paragraph 43.

Examples of Taxable Services

50. Services related to allied health provided by any person who operates or provides a place for the activity relating to private allied health services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586] as listed in paragraph 43 include dentistry, environmental

health, health education, food preparation (health care), forensic science and medical social work.

Example 14

Mr. DD, a non-citizen, has suffered tooth decay and requires immediate treatment at KK Dental Clinic, Kuala Lumpur. Doctor AC has recommended that Mr. DD undergo a dental crown to install a false tooth covering over the decayed tooth with the aim of improving the shape and function of Mr. DD's severely damaged teeth. All costs of Mr. DD's dental treatment including the cost of dental x-rays at KK Dental Clinic are subject to service tax including the doctor's consultation fee.

Taxable Services Relating to *Designated* Areas

51. The provision of private allied health related services which is provided to non-citizens within or between designated areas or between designated areas and special areas excluding Pulau 1 are not subject to service tax.

Example 15

A non-citizen known as Mr. DD has a psychological problem. He has decided to seek mental health treatment to reduce depression and stress to avoid mental health problems. He has gone to the FF Psychology Center, Langkawi to seek mental health and psychiatric treatment. All Mental health and psychiatric treatment services provided at the FF Psychology Centre, Langkawi to Mr. DD are not subject to service tax.

Taxable Services Relating to Special Areas (*Special Area*)

52. No service tax shall be charged on private allied health related services provided within or between special areas or between special areas and designated areas.

Non-Taxable Services

53. Provision of allied health related services provided by Government healthcare facilities is not subject to service tax.

54. Government healthcare facilities refer to any facilities established, maintained, operated or provided by the Government excluding privatized or incorporated Government healthcare facilities.

Exemption of Persons from Paying Service Tax

55. Malaysian citizens are exempt from paying service tax on allied health related services provided by any person who operates or provides a place for the activity relating to private allied health services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586].

ACCOUNTING TAX SERVICES

56. A registered person providing taxable services to non-citizens must issue an invoice and charge service tax on the taxable services provided. The registered person shall charge service tax based on the actual value of the taxable services provided.

57. Service tax shall be accounted for based on the earlier of the following timelines:

(i) At the time of payment received for the taxable services provided; or

(ii) On the day following the period of twelve months from the date of supply of the taxable services provided.

(iii) However, a registered person is also permitted to account for taxable services based on the date the invoice is generated provided that the approval of the Director General of Customs has been obtained

58. All values of exempted services provided to citizens must be declared in column 18(c) in the SST-02 Return.

59. Consultation services by professional doctors/private healthcare practitioners are one of the taxable services provided by private healthcare facilities. Accordingly, the responsibility to account for service tax on behalf of professional doctors/private healthcare practitioners is liable to the Registered Person of SST. The example is private hospital or private clinic which are registered or licensed under Act 586.

60. Therefore, the Registered Person of SST is required to declare and pay all service tax received including service tax levied on professional consultation fees of professional doctors/private healthcare practitioners who rent a separate clinic or work on a permanent or contractual appointment at the private hospital or private clinic.

Example 16

AA Private Hospital registered for SST on 1 April 2025 and the effective date of becoming a taxable person is 1 May 2025. This hospital provides private healthcare facilities to non-citizen employees who serve at ABC Company Berhad in May 2025 and receives payment on 23 May 2025. AA Private Hospital must account for service tax in the taxable period May-June 2025 and the declaration of SST-02 form is done in July 2025.

Example 17

AA Private Hospital also provides private healthcare facilities to non-citizen employees who serve as security guards at Syarikat MM Sdn. Bhd. AA Private Hospital issued an invoice on 7 November 2025 for the private healthcare facilities provided. However, Syarikat MM Sdn. Bhd. has faced financial problems and has caused the payment of private healthcare facilities involving the non-citizen security guard employees to be delayed. AA Private Hospital only received the payment on 10 January 2027. Since the payment was received after the end of the 12-month period, AA Private Hospital needs to account for the service tax according to the prescribed taxable period, which is November-December 2026 and the declaration of the SST-02 form is done in January 2027.

REGISTRATION AND RESPONSIBILITY OF REGISTERED PERSON

61. Any service providers of taxable services to non-citizens who have reached the prescribed taxable service value are required to register under the Service Tax Act 2018. For further information regarding registration, please refer to the Service Tax Registration Guide.

62. A registered person is responsible for the following:

(a) Charging service tax on taxable services;
(b) Issuing invoices and receipts to customers in respect of any transactions relating to the provision of taxable services;
(c) Submitting service tax return SST-02 electronically and paying service tax before the due date;
(d) Maintaining proper records in relation to service tax transactions for 7 years.

63. For more information on the responsibilities of registered person, please refer to the General Guide to Service Tax.

TRANSITIONAL ISSUES

64. Based on Regulation 3A, Service Tax Regulations 2018 (PPCP 2018) if there is a change in any taxable service as specified in the First Schedule, Service Tax Regulations 2018 (PPCP 2018) the effect of the change on service tax is as paragraph 65 to paragraph 75.

65. In the case of taxable services provided before the effective date and beyond the effective date, the value of service tax is charged by apportionment *as* follows:

(a) taxable services provided before the effective date of service tax charged; and

(b) taxable services provided on/after the effective date of service tax charged.

Table 1

Before 1.7.2025			**On/after 1.7.2025**			**CP rates determined**
Services Provided (RM)	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	**Services Provided (RM)**	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	
10,000	10,000	10,000	-	-	-	-

66. In the event that the whole taxable service is provided before 01.07.2025 and total payment is received on/after 01.07.2025, taxable service is not charged at 6% on the value of taxable services provided before 01.07.2025.

Table 2

Before 1.7.2025			**On/after 1.7.2025**			**CP rates determined**
Services Provided (RM)	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	**Services Provided (RM)**	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	
10,000	10,000	-	-	-	10,000	-

67. In the case of whole taxable services provided before 01.07.2025 as below:

(a) part of the payment received before 01.07.2025; or

(b) part of the payment received on/ after 01.07.2025.

The impact of changes to the treatment of service tax as in paragraph 65 (a) or (b), taxable services are not subject to service tax at 6% on the value of taxable services provided before 01.07.2025.

Table 3

Before 1.7.2025			**On/after 1.7.2025**			**CP rates determined**
Services Provided (RM)	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	**Services Provided (RM)**	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	
10,000	6,000	6,000	-	4,000	4,000	-

Taxable Services Fully Provided On/After Effective Date

68. In the event that the whole taxable service is provided on/after 01.07.2025 and the total payment is received on/after 01.07.2025, taxable service is charged at 6% on the value of the payment received on/after 01.07.2025.

Table 4

Before 1.7.2025			On/after 1.7.2025			CP rates determined
Services Provided (RM)	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	**Services Provided (RM)**	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	
-	-	-	10,000	10,000	10,000	6% x RM10,000

69. However, any payment received before 01.07.2025 relating to services provided on/after 01.07.2025, services provided on the value of payment received before 01.07.2025 are not subject to service tax.

Table 5

Before 1.7.2025			On/after 1.7.2025			CP rates determined
Services Provided (RM)	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	**Services Provided (RM)**	**Total Invoices Issued (RM)**	**Total Payment Received (RM)**	
-	-	10,000	10,000	10,000	-	-

Imported Taxable Services During the Transition Period

70. Effective from 01.07.2025, imported taxable services involving the transition period are subject to service tax.

71. However, in the event that any imported taxable services become due (payment made or invoice received, whichever is earlier) before 01.07.2025 in relation to imported taxable services obtained on/after 01.07.2025, such imported taxable services are not subject to service tax.

72. Imported taxable services are due on the date payment is made to the service provider or on the date the invoice is received for the services, whichever is earlier. For the purpose of the date of receipt of invoice, it refers to the date on which the invoice is recorded in the company's accounting.

73. In the event that the whole imported taxable service is fully acquired before 01.07.2025 and becomes due before 01.07.2025, the imported taxable service is not subject to service tax for the value of the imported taxable service acquired before 01.07.2025.

74. In the case of imported taxable services obtained before 01.07.2025 and after 01.07.2025, imported taxable services are subject to service tax by apportionment as follows:

a. imported taxable services obtained before 01.07.2025, no service tax is charged;

b. Imported taxable services obtained on/after 01.07.2025, service tax is charged at 6%.

75. However, any tax that becomes due on/after 01.07.2025 in relation to imported taxable services obtained on/after 01.07.2025, imported taxable services is charged at 6% on the tax that becomes due on/after 01.07.2025.

(a) In the event that a new service is declared as an imported taxable service and the provision of the service extends beyond the date of the change, service tax shall be charged on the portion of the service attributable to the portion of the period after the date of the change.

Example 18

Mr. DD, a non-citizen, underwent brain surgery at a private hospital in Kuala Lumpur on 1.12.2024 and is expected to undergo treatment on 1.10.2025. Dr. AC has obtained a second opinion from a brain specialist from a private hospital in Singapore. In case, the initial deposit payment for brain surgery treatment was made before 01.07.2025, the healthcare services imported to Mr. DD are not subject to service tax. The deposit payment is part of the payment for the private healthcare facilities provided. However, the whole balance for the brain surgery treatment to be performed on 1.10.2025 is subject to service tax at the rate of 6%.

FREQUENTLY ASKED QUESTIONS

1. **Q : When is the effective date of service tax for healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services to non-citizens??**

   A : The effective date of service tax for healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services to non-citizens is 1 July 2025.

2. **Q : What is the value of taxable services for the purpose of registering healthcare services by private healthcare facilities, traditional and complementary medicine private services and private allied health related services to non-citizens?**

   A : The taxable value of healthcare services provided by private healthcare facilities, traditional and complementary medicine private services and private allied health related services is RM1,500,000.00 for all the value of services provided to citizens and non-citizens.

3. **Q : What is the service tax rate imposed on healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services to non-citizens?**

   A : The service tax rate imposed on healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services to non-citizens is 6%.

4. **Q : What are the types of healthcare services provided by private healthcare facilities to non-citizens are subject to service tax?**

A : Healthcare services provided by private healthcare facilities to non-citizens includes the following:

(a) any medical, dental, nursing, midwifery, allied health, pharmacy and ambulance services provided by healthcare professionals;

(b) accommodation for the purpose of providing healthcare services;

(c) any service for the screening, diagnosis, or treatment of persons who is suffering from, or believed to be suffering from any disease, injury or disability of mind or body;

(d) any service for preventive or promotive health purposes;

(e) any service provided by any para-healthcare professional;

(f) any service for curing or alleviating any abnormal condition of the human body by the application of any apparatus, equipment, instrument or device or any other medical technology;

(g) any service to treat or alleviate any abnormal condition of the human body using any apparatus, equipment, tool, or device or any other medical technology;

(h) any food services provided to patients by the registered or licensed healthcare facility; or

(i) any mortuary services provided by the registered or licensed healthcare facility.

5. **Q : A non-citizen employee from Company PP underwent plastic surgery services on the face and jawbone from private aesthetic center YY. Are plastic surgery services from private aesthetic center YY including the consultation fee of the doctor who performed the plastic surgery is subject to service tax**?

A : Plastic surgery services from private aesthetic center YY including consultation fee of doctor performing plastic surgery are subject to service tax at a tax rate of 6%.

6. **Q : What is the service tax treatment on deposits paid to healthcare services provided by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services?**

A : **Situation 1:**

Deposit payments are subject to service tax if they treated as part of the payment for services associated with healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services provided to non-citizens.

Situation 2:

Deposit payments are NOT subject to service tax if they are NOT part of the payment for services associated with healthcare services by private healthcare facilities, practice of traditional and complementary medicine private services and private allied health related services provided to non-citizens.

7. **Q : What are the categories of healthcare services by private healthcare facilities to non-citizens are not subject to service tax?**

A : All categories of healthcare services provided by private healthcare facilities to non-citizens is subject to service tax.

8. **Q : What is the provision of private healthcare services to non-citizens outside Malaysia?**

A : Dr. AC who serve as a cardiologist at the Kuala Lumpur Private Heart Institute. Dr. AC was invited to GG Hospital in Sydney, Australia and provides medical consultation services to his patient who underwent a heart transplant surgery. The patient was unable to come to Malaysia because he was not allowed to board a plane due to health reasons. The consultation service provided by Dr. AC at GG Hospital in Sydney, Australia is not subject to service tax because healthcare services has been provided outside Malaysia.

9. **Q : I am a registered practitioner and also the owner of a premise that operates private practice of traditional and complementary medicine private services. Is my business premise that provides services to non-citizens subject to service tax?**

A : Yes. Premises that provide practice of traditional and complementary medicine private services and have reached the threshold value of RM1,500,000 for a twelve month period are liable to become SST registered person. Service tax must be charged on taxable services provided to non-citizens.

10. **Q : I am the owner of a premise that operates private practice of traditional and complementary medicine private services, but I am not a registered practitioner. However, I have employed workers who are registered practitioners as traditional and complementary medicine practitioners. Is my business premise that provides services to non-citizens subject to service tax?**

A : Yes. Premises that provide practice of traditional and complementary medicine private services and have reached the threshold value of RM1,500,000 for a twelve month period are liable to become SST registered person even if the owner of the premise is not a registered practitioner under the Act 775. Service tax must be charged on taxable services provided to non-citizens.

11. **Q :** Is pharmacy included in the expansion of the scope of private healthcare to non-citizens?

A : Pharmacy services provided by private healthcare facilities registered or licensed under Act 586 are subject to service tax to non-citizens. However, retail pharmacy premises operating within the premises of private healthcare facilities registered or licensed under Act 586 are not subject to service tax. The sale of all goods at the retail pharmacy is not a taxable service under the First Schedule, Service Tax Regulations 2018 and is not subject to service tax.

12. **Q :** If a patient at a private clinic/hospital facility receives various treatments and services as follows:

Administration fee: RM10.00
X-ray charge: RM60
Laboratory charge: RM30
Doctor consultation fee: RM200
Medicines: RM100
Total bill amount: RM400

Is service tax levied on the total treatment bill amount of RM400 or only on the doctor consultation fee of RM200?

A : Service tax at the rate of 6% is charged on the total amount of RM400.

13. **Q :** Are medicines subject to service tax?

A : Yes. In terms of service tax, medicines provided with a doctor's prescription are subject to service tax to non-citizen patients. The provision of medicines provided by pharmacy services is also a type of healthcare service in private healthcare facilities and is subject to service tax. However, the sale of medicines or goods related to medicines in other business premises such as retail pharmacies that are not registered or licensed under Act 586 is not subject to service tax.

14. **Q :** Do private healthcare services provided to citizens who have received exemptions need to be declared in the SST-02 Statement?

A : Private healthcare services provided to citizens are exempted. Accordingly, the value of the exempted services must be declared in column 18(c) of the SST-02 Return.

15. **Q :** Are aesthetic clinics that have a Ministry of Health Malaysia (MOH) license under Act 586 subject to service tax?

A : Private aesthetic clinics registered or licensed with the Ministry of Health under Act 586 will be registered in Item 14, Group I if they have reached the threshold value of RM1.5 million within a 12-month period for all services provided to citizens and non-citizens. The service tax rate is 6% provided to non-citizens.

16. **Q :** What if a company provides medical care to their expatriates? Are there any tax implications for the company for the scope of private healthcare services?

A : Healthcare services by private healthcare facilities are taxable services under item 14, column (2), Group I, First Schedule, Service Tax Regulations 2018. The tax rate is 6% and service tax is charged to non-citizens only.

Accordingly, expatriate employees of the company will be charged service tax on healthcare services provided by private healthcare facilities and have become SST Registered Persons (OBs) only. The impact of service tax on companies that provide expatriate employee benefits through company health insurance or reimbursement claims to the company related to health aspects is an additional cost of service tax at a rate of 6%.

However, if the expatriate employee takes healthcare services from any private healthcare facility that is NOT SST registered, then there is no additional cost impact on service tax.

For your information, private healthcare facilities registered or licensed under the Private Healthcare Facilities and Services Act 1998 [Act 586] are liable to become SST Registered Persons if they have reached the threshold value of RM1.5 million within a 12-month period.

17. **Q :** For private healthcare services provided by private hospitals that are SST registered and provide health screening services to non-citizens, the invoice generated by the hospital will be submitted to the company as the employer or any company that has been appointed to handle the matter. Is the company subject to service tax?

A : Employers are liable to pay service tax for any private healthcare services provided to non-citizen employees, especially if health is included as one of the employee benefits in the employment contract or there is a clause for the employee to claim health costs back from the employer.

Service tax treatment is also subject to the Foreign Workers' Medical Examination Monitoring Agency (FOMEMA) since all health screening matters for foreign national employees are under the supervision of FOMEMA. FOMEMA health screening is a mandatory health screening program for foreign workers in Malaysia. It aims to ensure that foreign workers are healthy and fit to work, as well as prevent the spread of infectious diseases. This screening includes various health tests prescribed by FOMEMA. If foreign workers are found to be healthy, they will be given a health certificate to enable them to work legally in Malaysia. This health certificate is also a key requirement for renewal of work permit or work visit pass at Malaysian Immigration Department.

However, the mechanism for FOMEMA's reimbursement/refund to Employers depends on the disbursement or reimbursement treatment. If the invoice and supporting documents by FOMEMA do not meet the disbursement criteria, then any reimbursement is subject to service tax.

18. **Q :** Will the service tax exemption for private traditional and complementary medicine practice services granted by the Ministry of Finance Malaysia and effective 1 March 2024 be revoked after 1 July 2025?

A : Yes. The service tax exemption for private traditional and complementary medicine practice services granted by the Ministry of Finance Malaysia and effective 1 March 2024 will be revoked after 1 July 2025.

19. **Q :** Islamic medical practice services usually do not have a fixed service value and are based on the concept of a sincere donation. How is the determination of the donation value made and is the donation value considered as a taxable service value?

A : A sincere donation is used as a means of payment for Islamic medical practice services received from its customers. Although the donation has an element of charity, the value of the charity is the value of taxable services since the payment of the donation is received for the provision of Islamic medical practice services to its customers.

Based on section 9(1) of the Service Tax Act 2018, the value of taxable services for which service tax is payable shall be determined according to sub-item (A) which is the actual value of the taxable services provided. This means that any payment received is considered to be the actual value of the services provided.

20. **Q :** My premises conduct business activities for chiropractic and physiotherapy services. How is the threshold calculation and registration done?

A : Chiropractic services are one of the traditional and complementary medical practices and are taxable services in Item 15, column (2), First Schedule, Service Tax Regulations 2018. Any person who operates or provides premises for private traditional and complementary medical practice services excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586] will be registered in Item 15, column (1) Group I if they have reached the threshold of RM1.5 million in a 12-month period for all taxable services provided to citizens and non-citizens. The service tax rate is 6% provided to non-citizens.

Meanwhile, physiotherapy services are one of the services related to allied health and are taxable services in Item 16, column (2), First Schedule, Service Tax Regulations 2018. Any person who operates or provides a place for private allied health related activities excluding private healthcare facilities under the Private Healthcare Facilities and Services Act 1998 [Act 586] will be registered in Item 16, column (1) Group I if they have reached the threshold value of RM1.5 million in a 12-month period for all taxable services provided to citizens and non-citizens. The service tax rate is 6% provided to non-citizens.

In this regard, the company must calculate the threshold value separately for chiropractic and physiotherapy services. If the threshold value for both activities has been reached, then the company is required to register for SST for both taxable services involved. After that, the company is also required to generate an invoice stating the 2 different services. The company cannot generate a lump sum invoice for 2 different services.

21. **Q :** We are a registered company that operates the Traditional Chinese Medicine business, including providing services such as consultation, acupuncture, selling medicines and health products. We also sell products such as Foot Bath, Herbal Syrup, Herbal Plaster, Moxa Box, bird's nest and others separately to patients. Are these products also subject to 6% SST on Non-Citizen buyers?

A : The sale of health products is not a taxable service and is not subject to service tax. Therefore, Foot Bath, Herbal Syrup, Herbal Plaster, Moxa Box, bird's nest and others sold separately to patients are not subject to service tax.

22. **Q :** Is dental equipment subject to service tax?

A : All healthcare services such as dentistry provided by private healthcare facilities are subject to service tax including the use of equipment for the purpose of dental treatment to non-citizen patients.

23. **Q :** I am a provider of clinical psychology services to clients overseas provided through online meetings. Are clinical psychology

services provided through online medium to non-citizens residing in overseas subject to service tax?

A : Based on Section 7(a) of the Service Tax Act 2018 which explains that services provided in Malaysia are subject to service tax. Therefore, clinical psychology services provided through online medium to non-citizens who are residing in overseas are subject to service tax.

INQUIRY

Any question related guide this please do contact us with the following offices:

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FURTHER ASSISTANCE AND INFORMATION ON SST

Further information on SST can be access from other source as following:

(b) SST website: https://mysst.customs.gov.my

(c) Customs Call Center:

- Phone : 1-300-888- 500
- Fax : 03-8882 2100 / 2300 / 2500
- Email : ccc@customs.gov.my