



SERVICE TAX POLICY NO. 1/2025

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 –

FINANCIAL SERVICES
Group H, First Schedule
Service Tax Regulations 2018

NO.	EXEMPTION	CONDITIONS
1.	The service tax exemption on all financial services under items 3 and 4 excluding the list of financial services in APPENDIX A .	None.
2.	Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences: (a) Late registration (b) Late submission of returns (c) Late payment (d) Incorrect declaration (under-declaration & underpayment) (e) Any errors related to invoices, credit notes, or debit notes	(a) The offence involved is detected by the Royal Malaysian Customs Department (RMCD) or the company makes a voluntary confession or declaration regarding the offence. (b) The exemption does not apply to fraud offences or offences committed intentionally. (c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.
3.	The federal government and state governments are exempted from imposing and paying service tax.	
4.	The local authorities (PBT) are exempted from charging and paying service tax for the period from 1 July 2025 to 30 September 2025.	



NO.	EXEMPTION	CONDITIONS
	<ul style="list-style-type: none">▪ Services provided or acquired starting from 1 October 2025 are subject to service tax.	
5.	<p>Non-reviewable contracts are granted an exemption from the payment of service tax for the period from 1 July 2025 to 30 June 2026.</p> <ul style="list-style-type: none">▪ Services provided from 1 July 2026 onwards are subject to service tax.	<p>(a) The service provider is a registered person for service tax;</p> <p>(b) The contract does not contain a price revision clause or any value adjustment mechanism;</p> <p>(c) The contract is made in writing, signed, and stamped by the Inland Revenue Board of Malaysia (LHDN) on or before 9 June 2025;</p> <p>(d) The contract clearly states:</p> <ul style="list-style-type: none">(i) the type of service provided;(ii) a fixed contract value (non-variable);(iii) the contract duration; and <p>(e) The contract remains in force after 1 July 2025.</p>
6.	<p>The business-to-business (B2B) exemption facility is granted for taxable financial services involving transactions between two financial service providers.</p>	<p>(a) The taxable financial service is acquired from another registered financial service provider; and</p> <p>(b) The acquired taxable financial service is used for the purpose of providing the following services:</p> <ul style="list-style-type: none">(i) taxable financial services;(ii) financial services related to goods, land, or matters outside Malaysia; or(iii) financial services directly related to goods exported out of Malaysia.



NO.	EXEMPTION	CONDITIONS
7.	Imported services by a registered financial service provider are exempted from the payment of service tax.	(a) Taxable financial services are acquired from financial service providers outside Malaysia; and (b) The acquired taxable financial services are used for the purpose of providing the following services: (i) taxable financial services; (ii) financial services related to goods, land, or matters outside Malaysia; or (iii) financial services directly related to goods exported out of Malaysia.
8.	Exemption from service tax on fees related to the trading of shares listed on Bursa Malaysia, namely: (a) Clearance fees and trading fees imposed on stockbrokers; (b) Processing fees and perusal fees imposed on issuers or listed companies under the ACE Market.	None.
9.	Exemption from service tax payment on wakalah fees charged in transactions or instruments conducted or made in accordance with Shariah principles.	(a) The Islamic financial service provider is a registered person under the Service Tax Act 2018; (b) The fee is related to the wakalah principle, which serves as a supporting contract to the main contract used in the structure of the Islamic financial product or instrument; (c) The fee is not used as the main contract;



NO.	EXEMPTION	CONDITIONS
		<p>(d) The fee is not charged separately by the Islamic financial service provider;</p> <p>(e) The fee is a mandatory payment within the structure of the Islamic financial product or instrument; and</p> <p>(f) The product or service has received Shariah compliance certification from the relevant authority, namely the Shariah Advisory Council of Bank Negara Malaysia, the Shariah Advisory Council of the Securities Commission Malaysia, or the Shariah Committee of the Islamic Financial Service Provider, whichever is applicable.</p>

**For more information regarding this policy, please refer to the Financial Services Guide on the MySST website.*



APPENDIX A

FEE-BASED FINANCIAL SERVICES SUBJECT TO SERVICE TAX

1. The imposition of service tax on fee-based financial services effective from 1 July 2025 is as follows:

A. CONVENTIONAL AND ISLAMIC BANKING SERVICES

(including Development Financial Institutions)

- *Treasury Services*
- *Credit Facility*
- *Facility Fee for Arranging and Marking Limit*

B. CORPORATE BANKING ADVISORY SERVICES

- *Global Markets and Corporate Banking Advisory Services*
- *Structuring of securities fee*
- *Processing fee*
- *Participation in deals fee*
- *Pass-through deal fee (with markup)*
- *Upfront fee*
- *Administrative charges*
- *Letter of Undertaking/Support/Credit Advice charges*
- *Annual review of facilities fee*
- *Restructuring/ rescheduling fee*
- *Extension fee*

C. INVESTMENT BANKING SERVICES (Debt Markets)

- *Arranger/Facility Agent Services*
- *Arranger Fee*
- *Facility Agent Service Fee*
- *Agency Fee*
- *Administrative charges*



D. EQUITY MARKETS

Services in Relation to IPO/ Offer for Sale/ Divestments/ Placements/ Special Issues/ Related Issues/ Merger & Acquisitions/ Takeovers/ Restructuring/ Capital Reduction/ Share Split/ Share Consolidation/ Bonus Issues/ ESOS/ Share Grant/ other similar products as follows:

- *Structuring of securities fee*
- *Introductory Fee for Introducing Clients*
- *Success Fee for Successful Deal*
- *Performance Fee for Successful Deal*
- *Incentive Fee - Discretionary Amount by Issuer*

E. BURSA MALAYSIA SERVICES

- *Initial Listing Fees charged to issuers*
- *Annual Listing Fees charged to issuers*
- *Additional Listing Fees charged to issuers*
- *Member services and connectivity fees*

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**