



SERVICE TAX POLICY NO. 2/2025 (Amendment No. 1)

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.	<p>Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences:</p> <p>(a) Late registration</p> <p>(b) Late submission of returns</p> <p>(c) Late payment</p> <p>(d) Incorrect declaration (under-declaration & underpayment)</p> <p>(e) Any errors related to invoices, credit notes, or debit notes</p>	<p>(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.</p> <p>(b) The exemption does not apply to fraud offences or offences committed intentionally.</p> <p>(c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.</p> <p><i>*Please refer to the announcement section displayed on the MySST portal.</i></p>
2.	<p>The federal government and state governments are exempted from imposing and paying service tax.</p>	<p>None.</p>
3.	<p>The local authorities (PBT) are exempted from charging and paying service tax for the period from 1 July 2025 to 30 September 2025.</p> <ul style="list-style-type: none">Services provided or acquired starting from 1 October 2025 are subject to service tax.	<p>None.</p>



NO.	EXEMPTION	CONDITIONS
4.	<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>
5.	<p>Exemption from the payment of service tax on rental or leasing services provided to tenants with Small & Micro Enterprise (SME) status.</p>	<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>



NO.	EXEMPTION	CONDITIONS
		(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.
6.	Group relief for rental or leasing services provided by one company to another company within the same corporate group.	1. 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 issued share capital of the second mentioned company; or (ii) the first mentioned company holds — (a) directly; (d) indirectly through subsidiaries; or (e) 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.



NO.	EXEMPTION	CONDITIONS
		<p>2. Shares shall be treated as not held if the shares are held—</p> <ul style="list-style-type: none">(i) through nominees;(ii) in a fiduciary capacity; or(iii) by virtue of provisions of debenture holding, trust deeds for securing debentures or money lending activities. <p>3. The value of taxable services for rental or leasing services provided to any person outside the group of companies within a 12-month period shall not exceed five percent of the total value of such taxable services.</p>
7.	<p>Service tax exemption for rental or leasing services of aircraft (excluding drones) and ships (excluding floating platforms).</p> <p>*This exemption comes into effect on 4 July 2025.</p>	None.



Responsibilities of Service Providers and Recipients:

1. If any service recipient who has been granted a service tax exemption is found to have failed to comply with the stipulated exemption conditions or is not eligible for the exemption, the service tax will be imposed and must be paid immediately.
2. The service provider (registered person) is responsible for declaring the value of taxable services provided to recipients eligible for service tax exemption in the SST-02 return, under column 18c (Total Value of Exempted Taxable Services).
3. The service provider (registered person) must ensure that the invoice issued complies with the requirements of Regulation 10, Service Tax Regulations 2018.
4. Transaction records such as invoices, receipts, and debit/credit notes involving service tax exemptions must be retained for 7 years in either Bahasa Malaysia or English. These records must be submitted to RMCD officers upon request for audit, verification, or investigation purposes.

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**
