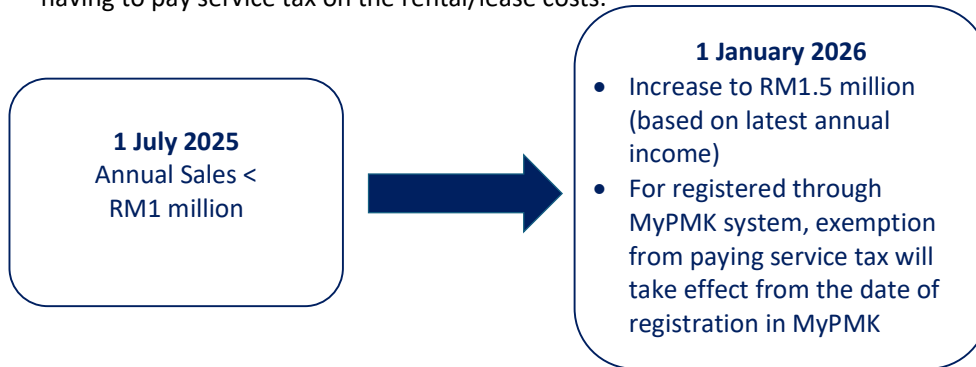




UPDATES ON SALES AND SERVICE TAX (“SST”)

Rental and leasing services

1. Micro, Small and Medium Enterprises (“MSME”) tenants and lessees are exempted from having to pay service tax on the rental/lease costs.



Micro, Small & Medium Enterprises (MSME) Exempted

2. The lessor’s registration threshold remains at RM 1 million.
3. Newly incorporated MSME businesses are granted service tax exemption on rental and lease costs for a period of 1-year from the registration date.

Condition Granted Service Tax Exemption

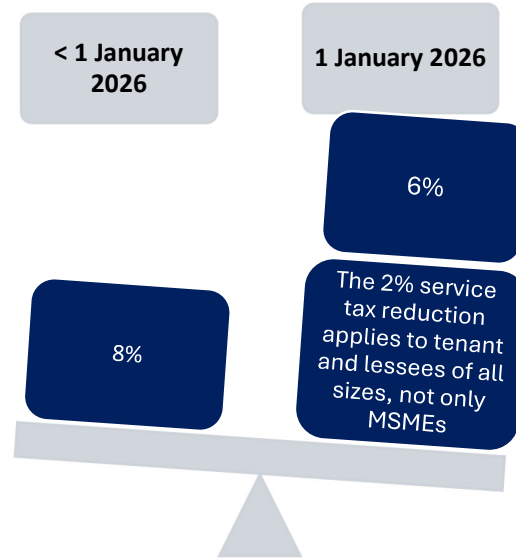
- Must register and declare its MSME status through MyPMK system
- MSMEs must submit an income tax return to IRBM to qualify for service tax exemption on rental or leasing services after the initial 1-year period
- Update the income declaration submitted to IRBM in MyPMK in the year following SSM registration

4. A company within a group that receives rental or leasing services from any other company in the same group - item 5 of the STP.

An exemption from paying service tax is granted to a company within a group that receives rental or leasing services from any other company in the same group (group relief), whether inside or outside Malaysia. This exemption takes effect from 1 July 2025.



5. The service tax rate on rental and lease services



RMCD – Notice of procedures for issuance of invoice and declaration in SST-02 return for the 2% service tax exemption on rental or leasing service tax rate dated 27 January 2026

With reference to item 8 of the Service Tax Policy No. 2/2025 (Amendment No. 3) dated 23 January 2026, a 2% service tax exemption on rental or leasing service tax rate is granted under the authority of the Minister of Finance pursuant to Section 34(3)(a) of the Service Tax Act 2018, effective 1 January 2026 until amendments to the subsidiary legislation are gazetted.

For invoice issuance purposes, rental or leasing service providers must state the 2% exemption from the 8% service tax rate on the value of rental or leasing services provided, in accordance with Regulation 10(1A) of the Service Tax Regulations 2018. Service providers may choose only 1 of the following methods:

<u>Method 1:</u>	<table><tbody><tr><td>Rental service</td><td>: RM1,000</td></tr><tr><td>Service tax 8%</td><td>: RM80</td></tr><tr><td>2% exemption</td><td>: (RM20)</td></tr><tr><td>Total payable</td><td>: RM1,060</td></tr></tbody></table>	Rental service	: RM1,000	Service tax 8%	: RM80	2% exemption	: (RM20)	Total payable	: RM1,060
Rental service	: RM1,000								
Service tax 8%	: RM80								
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<u>Method 2:</u>	<table><tbody><tr><td>Rental service</td><td>: RM1,000</td></tr><tr><td>Service tax 6%</td><td>: RM60</td></tr><tr><td>Total payable</td><td>: RM1,060</td></tr><tr><td colspan="2">Note: The 2% service tax exemption (tax rate) amounts to RM20.</td></tr></tbody></table>	Rental service	: RM1,000	Service tax 6%	: RM60	Total payable	: RM1,060	Note: The 2% service tax exemption (tax rate) amounts to RM20.	
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For declaration in the SST-02 return, the service provider must declare the service tax on the rental service value at 6% tax rate. The exempted service value must then be stated and filled in column 18(c)(3) of the SST 02 return.

NO.	COLUMN	VALUE (RM)	NOTE
1.	(10) – Value of Taxable Services	1,000.00	Value of rental services provided.
2.	(11)(c) – Total taxable sales and tax payable at specified tax rate (Taxable service at 6%)	1,000.00	Select service tax at 6%
3.	18(c)(3) – Value of taxable services exempted (other services)	1,000.00	2% tax rate exemption based on the value of rental services provided

Construction services

1. In relation to construction services, the service tax exemption is as follows:

Non-reviewable contract
Contract signed before 1 July 2025
Stamped before 31 December 2025

Service tax exemption up to 30 June 2027

Construction Services

2. Service tax (6%) would apply on the value of construction service (i.e. excluding value of goods) provided the construction service provider either issue separate invoices or perform itemised billing for value of construction materials/goods supplied and construction work services.

This effort avoids double taxation given that most construction materials are subject to a 5% sales tax (either at the time of importation or sale by sales tax registered manufacturer).

However, if the invoice does not separate the value of goods and services, the 6% service tax applies on the total value in respect of construction works.

3. Service tax exemption is granted on construction works for places of worship, and renovation of non-residential building into places of worship. Approval from Customs or MOF is not required for this exemption, but parties shall self-administer adherence to the conditions stipulated in Lampiran D and E of Service Tax Policy No. 3/2025 (Amendment No. 2).