



Indirect Tax Alert

Budget 2024 - Expansion of Service Tax Scope and Rate (Appendix 34)

Dear valued client,

Service Tax

Further information has since been released on the Budget 2024 proposals that were presented on 13 October 2023 in respect of the proposed increase in the service tax rate and expansion of service tax to include new services.

The full proposal is as follows:

A. Expansion of the scope of service tax to new services

Proposed New Services	Group under the First Schedule to the Service Tax Regulations, 2018
i. Karaoke centre services	Group C
ii. Delivery services (except for the delivery of food and beverage)	Group I
iii. Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity, and real estate	Group I
iv. Logistic services	Group I

The mandatory registration threshold for the above services is proposed to be RM500,000.

B. Changes to the Service Tax Rate

The service tax rate will be increased from 6% to 8% on all taxable services except for the following taxable services, which will still be taxed at 6%:

Services to be taxed at 6%	Group under the First Schedule to the Service Tax Regulations, 2018
i. Food and beverage	Group B
ii. Telecommunication services	Group I
iii. Vehicle parking services	Group I
iv. Logistic services (new)	Group I

The above changes are proposed to be effective on 1 March 2024.

We will provide more detailed analysis and comments in a separate write-up on these matters.

Contacts

If you would like to have further discussions on any of the above, please reach out to your usual Deloitte indirect tax contact or to any of our leaders below:

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