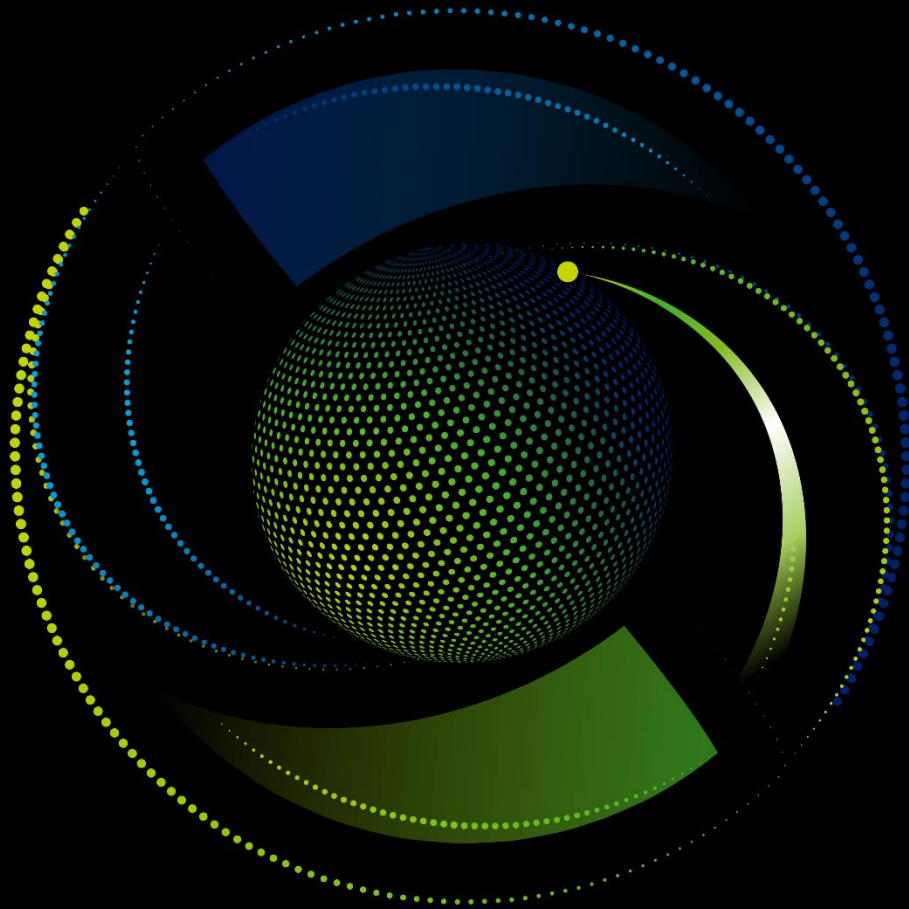


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Indirect Tax Chat

Keeping you updated on the latest news in the Indirect Tax world

March 2024



Issue 03.2024

Quick links: [Contact us - Our Indirect Tax team](#)

Key takeaways:

1. [Amendments to the Service Tax Legislation](#)
2. [Service Tax Policy and FAQ Updates](#)
3. [Guide on Maintenance or Repair Services](#)

Greetings from Deloitte Malaysia's Indirect Tax team

Greetings readers, and welcome to the March 2024 edition of our Indirect Tax Chat.

The Royal Malaysian Customs Department ("RMCD") and the Ministry of Finance ("MoF") have announced exclusions and exemptions aimed at reducing the cost impact to the logistics industry as a result of the recent law changes. We expect further guidelines and legislation updates to bring these changes into effect.

In this month's chat, we will be sharing our thoughts on the amendments to the service tax legislation, release of service tax policies, frequently asked questions (FAQs), as well as the new guide issued on maintenance or repair services.



Additionally, here are some recent news that may interest you:

- Fuziah Salleh, the Deputy Minister of Domestic Trade and Cost of Living, cautioned traders unaffected by the service tax rate increase against raising prices for extra profits. Such irresponsible actions could lead to penalties. The service tax increase affects various categories, including hospitality, health and wellness, training and education centers, and laundry services, but not food and beverages. Enforcement efforts, known as Ops Kesan, target establishments exceeding the RM500,000 threshold value. For more information, please click [here](#).
- The government has no plans to bring back the Goods and Services Tax (GST). Finance Minister II, Datuk Seri Amir Hamzah Azizan, explained that the focus is on targeted subsidies and taxation to ensure a fair approach. Regarding concerns about the SST, he mentioned that the government was trying to reduce the burden on the entire population, especially among vulnerable groups. For more information, please click [here](#).
- According to Prime Minister Datuk Seri Anwar Ibrahim, the MoF is in the final stage of deciding policies related to the High Value Goods Tax (HVGT) aimed at protecting the low-income group. This includes identifying which items will be taxed and setting corresponding thresholds. For more information, please click [here](#).

To our readers celebrating, we wish you *a Selamat Hari Raya Aidilfitri!*

Best regards,

Tan Eng Yew

Indirect Tax Leader

1. Amendments to the Service Tax Legislation

The [Service Tax \(Amendment\) Regulations 2024](#) was gazetted on 23 February 2024, with effect from 26 February 2024. The following were gazetted on 26 February 2024, with effect from 1 March 2024:

- [Service Tax \(Imposition of Tax for Taxable Service in Respect of Designated Areas and Special Areas\) \(Amendment\) Order 2024](#)
- [Service Tax \(Persons Exempted from Payment of Tax\) \(Amendment\) Order 2024](#)
- [Service Tax \(Rate of Tax\) \(Amendment\) Order 2024](#)
- [Service Tax \(Rate of Digital Services Tax\) \(Amendment\) Order 2024](#)

Notable amendments made are as follows:

Service Tax (Amendment) Regulations 2024

The Service Tax Regulations 2018 have been amended in the First Schedule as follows:

- Group A, column (2), item (c), “area or place of business under the control of service provider” has been replaced with “accommodation premises”.
- Group B, column (2), item (c) “area or place of business under the control of service provider” has been replaced with “establishment”.
- Group C have been amended as follows –
 - Heading, “KARAOKE CENTRE,” was inserted after “CABARETS”.
 - column (1), item 1(e) “any karaoke centre” was inserted.
 - column (2), item (a) “Provision of all services within the establishment” has been replaced with “Provision of all type of services”.
- Group E, column (2), item (d)(vi) “alcohol and non-alcoholic beverages” has been replaced with “food, alcoholic and non-alcoholic beverages”.
- Group G has been amended as follows:
 - In the heading, the words “OR SKILLS” was inserted after the word “PROFESSIONALS”.
 - column (1), item 13, the sentence “Any person who provides maintenance or repair services” was inserted.
 - column (2), item (g)(ii), the words “training or coaching” were deleted after “consultancy”.
 - column (2), item (i)(v), the words “warehousing management services;” were deleted.
 - column (2), item (i)(xiii), the words “transport, tourism or logistic” have been replaced with “public transport, or tourism”.

- column (2), item (n), was inserted as follows:
 - Provision of any maintenance or repair services including maintenance management, corrective maintenance, preventive maintenance, calibration, adjustment, recondition, reconfigure or overhaul except—*
 - (i) *maintenance management services related to land or building for the use of residential provided by any developer, joint management body, management corporation or residential association; or*
 - (ii) *repair services on the residential building*
- Group I has been amended as follows:
 - column (1), item 3, the sentence “Any person who is given permission to act as an agent under subsection 90(2) of the Customs Act 1967 [Act 235].” was deleted.
 - column (1), item 6, the sentence “Any person providing courier services who is licensed under section 10 of the Postal Services Act 2012 [Act 741].” was deleted.
 - column (2), item 2(a), was amended by inserting the words “including digital services” after “other services”.
 - column (2), item 3, the sentence “Provision of services for clearing of goods from customs control” was deleted.
 - column (2), item 6, was deleted as follows:
 - Provision of courier delivery services for documents or parcels not exceeding 30 kilograms each, excluding provision of courier delivery services for documents or parcels—*
 - i. *from a place outside Malaysia to a place outside Malaysia;*
 - ii. *from a place within Malaysia to a place outside Malaysia; or*
 - iii. *from a place outside Malaysia to a place within Malaysia and includes the provision of courier delivery services within Malaysia that forms parts of the service referred to in subparagraphs (ii) and (iii) where the service is provided by the same person*
 - column (2), item 12, the sentence “The provision of services relating to financial services for the use or provision of brokering and underwriting” has been replaced with “Provision of brokering or underwriting services except the provision of the following services”.
 - column (3), item 3, the word “Nil” was deleted under the value of taxable services.
 - column (3), item 6, “RM 500,000” was deleted under the value of taxable services.

- Group J: Logistics Services, a new group of taxable services has been included, with a threshold value of RM 500,000:

(1) Taxable person	(2) Taxable service
<p>1. Any person providing—</p> <p>a) logistic services including all or part of the supply chain of logistic management services, warehousing or warehousing management services, freight forwarding services, port or airport services, shipping services, aviation services or cold chain facilities services;</p> <p>b) delivery, distribution or transportation of goods services;</p> <p>c) delivery, distribution or transportation of goods, documents or packages services through the E-Commerce platform, including on behalf of any person; or</p> <p>d) courier services licensed under section 10 of the Postal Services Act 2012 [Act 741]</p>	<p>a) Provision of all logistic services except—</p> <p>i. delivery, distribution or transportation of goods including courier services of documents, packages or goods from a place outside Malaysia to a place outside Malaysia;</p> <p>ii. delivery, distribution or transportation of goods including courier services of documents, packages or goods from the last point of exit within Malaysia to a place outside Malaysia;</p> <p>iii. delivery, distribution or transportation of goods, including courier services of documents, packages or goods from a place outside Malaysia to the first point of entry within Malaysia;</p> <p>iv. delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to another aircraft or vessel until the goods are transported in the aircraft or vessel and transported out of Malaysia; or</p> <p>v. delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to a customs warehouse, a licensed warehouse, a warehouse, or other places approved by the Director General until the goods are transported in the aircraft or vessel and transported out of Malaysia</p>

(1) Taxable person	(2) Taxable service
	b) Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods, except delivery of food and beverages provided by a taxable person specified in column (1) of Group B; or c) Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods through the E-Commerce platform, including on behalf of any person except delivery of food and beverages provided by a taxable person specified in column (1) of Group B
2. Any person who is approved to act as a customs agent under subsection 90(2) of the Customs Act 1967	Provision of services for the release of goods from customs control

Service Tax (Imposition of Tax for Taxable Service in Respect of Designated Areas And Special Areas) (Amendment) Order 2024

The Service Tax (Imposition of Tax for Taxable Service in respect of Designated Areas and Special Areas) Order 2018 was amended:

- Item 7 has been inserted, as follows:

No.	(1) Services	(2) Person
1.	a) Provision of all logistic services except— (i) delivery, distribution or transportation of goods, including courier services of documents, packages or goods from a place outside Malaysia to a place outside Malaysia; (ii) delivery, distribution or transportation of goods including courier services of documents, packages or goods from the last point of exit	1. Any person providing— a) logistic services including all or part of the supply chain of logistic management services, warehousing or warehousing management services, freight forwarding services, port or airport services, shipping services, aviation services or cold chain facilities services; b) delivery, distribution or transportation of goods services;

No.	(1) Services	(2) Person
	<p>within Malaysia to a place outside Malaysia;</p> <p>(iii) delivery, distribution or transportation of goods including courier services of documents, packages or goods from a place outside Malaysia to the first point of entry within Malaysia;</p> <p>(iv) delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to another aircraft or vessel until the goods are transported in the aircraft or vessel and transported out of Malaysia; or</p> <p>(v) delivery, distribution or transportation of goods including courier services of documents, packages or goods which arrives at the Malaysian customs port or airport for the purposes of transfer or unloading from an aircraft or vessel to a customs warehouse, or a licensed warehouse, or a warehouse or other places approved by the Director General until the goods are transported in the aircraft or vessel and transported out of Malaysia;</p> <p>b) Provision of all delivery, distribution or transportation of</p>	<p>c) delivery, distribution or transportation of goods, documents or packages services through the E-Commerce platform including on behalf of any person; or</p> <p>d) courier services licensed under section 10 of the Postal Services Act 2012 [Act 741]</p> <p>2. Any person who is approved to act as a customs agent under subsection 90(2) of the Customs Act 1967</p>

No.	(1) Services	(2) Person
	<p>goods services including courier services of documents, packages or goods except delivery of food and beverages provided by the person as specified in column (2) of item 4 of the Schedule;</p> <p>c) Provision of all delivery, distribution or transportation of goods services including courier services of documents, packages or goods through the E-Commerce platform including on behalf of any person except delivery of food and beverages provided by the person as specified in column (2) of item 4 of the Schedule;</p> <p>d) Provision of services for the release of goods from customs control</p>	

Service Tax (Persons Exempted from Payment of Tax) (Amendment) Order 2024

The Service Tax (Persons Exempted from Payment of Tax) Order 2018 was amended:

- Item 5 has been inserted after item 4, as follows:

(1) Item No.	(2) Persons	(3) Service Exempted	(4) Conditions
5.	The taxable person specified in column (1) Group J, in the First Schedule to the Service Tax Regulations 2018	The taxable service specified in column (2) Group J, in the First Schedule to the Service Tax Regulations 2018	<p>a) The taxable person referred to in column (2) is a registered person;</p> <p>b) The taxable service referred to in column (3) is provided by a registered person who is a taxable person specified in column (1) Group J, the First Schedule to the Service Tax Regulations 2018.</p> <p>c) The taxable service referred to in column (3) is the same taxable service provided by the taxable person referred to in column (2); and</p>

(1) Item No.	(2) Persons	(3) Service Exempted	(4) Conditions
			d) The taxable service referred to in column (3) is not for personal consumption by the taxable person referred to in column (2)

Service Tax (Rate of Tax) (Amendment) Order 2024

The Service Tax (Rate of Tax) Order 2018 was amended:

- Paragraph 3 (a) — “six per cent” has been replaced with “provision of food and beverages services, telecommunication services, provision of parking place services or logistic services, eight per cent”.
- Paragraph 3 (c) — new paragraph has been added, “in the case of taxable service relating to provision of food and beverages services, telecommunication services, provision of parking place services or logistic services, six per cent of the price, value, premium or takaful contribution of the taxable service determined in accordance with section 9 of the Act.”
- Paragraph 3, Saving – Any taxable service other than taxable service relating to credit card or charge card services, provision of food and beverages services, telecommunication services, provision of parking place services or logistic services—
 - a) provided before the date of coming into operation of this Order and the provision of the taxable service spanning after the date of coming into operation of this Order, the service tax shall be charged at the rate of eight per cent of the price, value, premium or takaful contribution of the taxable service in accordance with section 9 of the Act on the proportion of the taxable service which is attributed to the part of the period after the date of coming into operation of this Order;
 - b) provided on or after the date of coming into operation of this Order, any payment received before the date of coming into operation of this Order in relation to the taxable service, the service tax on the payment received shall be charged at the rate of six per cent of the price, value, premium or takaful contribution of the taxable service in accordance with section 9 of the Act.
 - c) in relation to a registered person who accounts for service tax under paragraph 11(3)(b) of the Act before the date of coming into operation of this Order, any payment received in money, in the form of chips or coupons, including chips or coupons issued free of charge, or any other form, or any invoice issued relating to the taxable service to be provided on or after the date of coming into operation of this Order, the service tax becomes due and payable shall be charged at the rate of eight per cent of the price, value, premium or takaful contribution of the taxable service in accordance with section 9 of the Act;

- d) in relation to an imported taxable service acquired before the date of coming into operation of this Order and spanning after the date of coming into operation of this Order, the service tax shall be levied at the rate of eight per cent of the price, value, premium or takaful contribution of the taxable service in accordance with section 9 of the Act on the proportion of the imported taxable service attributed to the part of the period after the date of coming into operation of this Order; and
- e) which is due before the date of coming into operation of this Order in relation to the imported taxable service acquired on or after the date of coming into operation of this Order, the service tax shall be levied at the rate of six per cent of the price, value, premium or takaful contribution of the taxable service in accordance with section 9 of the Act.

Service Tax (Rate of Digital Services Tax) (Amendment) Order 2024

The Service Tax (Rate of Digital Services Tax) Order 2019 was amended:

- Paragraph 2 – “six percent” has been replaced with “eight per cent”.
- Paragraph 3, Saving –
 - 1) Any digital service provided before the date of coming into operation of this Order and the provision of the digital service spanning after the date of coming into operation of this Order, the service tax shall be charged at the rate of eight per cent of the value of the digital service charged by a foreign registered person on the proportion of the digital service which is attributed to the part of the period after the date of coming into operation of this Order.
 - 2) Any digital service provided on or after the date of coming into operation of this Order, any payment received before the date of coming into operation of this Order in relation to the digital service, the service tax on the payment received shall be charged at the rate of six per cent of the value of the digital service charged by a foreign registered person.

Deloitte’s comments

With the expansion in the scope of taxable services and amendments to service tax rates, exemptions, and transitional provisions, we identified several notable gaps in the legislation.

Firstly, service tax exclusions for taxable training and coaching services under item (g) in Group G, which were previously applicable when provided in connection with goods, land, and matters outside Malaysia, have been removed. Similarly, this exclusion is also absent for the new taxable maintenance or repair services under item (n) in Group G.

Furthermore, an inconsistency was noted, as the STR 2018 was not amended to include the intra-group relief mentioned in the Guide on Maintenance or Repair Services.

Moreover, warehousing management services, previously listed as taxable management services under item (i) in Group G, have been reclassified to Group J, Logistics Services, which impacts the service tax declaration. Without this amendment, these services would have been subject to service tax at 8%. As a result of the reclassification, those who have been declaring these services under management services, Group G, are now required to declare them under Logistics Services, Group J, subject to service tax at 6%.

While efforts have been made to formalise these changes swiftly, we understand that businesses are still navigating to understand the service tax implications and ensure compliance with the service tax law. It may be necessary for businesses to seek clarification from the RMCD or MoF if needed. We anticipate further legislative changes from the RMCD to address these concerns.

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2. Service Tax Policy and FAQ Updates

On 28 February 2024, the following Service Tax Policies (“STPs”) were published by the RMCD, and is only available in *Bahasa Malaysia*:

- [Service Tax Policy No.1/2024](#) – Service tax effective date on new taxable services of maintenance or repair services, logistic services, non-financial brokerage/underwriting services, and karaoke services (“the new taxable services”).
- [Service Tax Policy No.2/2024](#) - Treatment of service tax on Traditional and Complementary Medicine (“TCM”) services.
- [Service Tax Policy No.3/2024](#) - Service tax rate for provision of multiple taxable services (having different rates of tax) by the same service-provider.

Notable amendments were made to the abovementioned STPs:

(i) Service Tax Policy No.1/2024 - Service tax effective date on new taxable services

Existing service tax registrants providing any of the new taxable services would be required to add the new taxable service in February 2024:

- The new taxable service must be included between 26 February 2024 and 29 February 2024.
- Service tax is exempted on the new taxable services for the period between 26 February 2024 and 29 February 2024. Service tax registrants are required to charge service tax on the new taxable service effectively from **1 March 2024**.

New non-service tax registrants providing any of the new taxable services and are liable to register in February 2024:

- Application for service tax registration is to be submitted between 1 March 2024 and 31 March 2024.
- Service tax should be charged on the new taxable service effective from 1 April 2014.

(ii) Service Tax Policy No.2/2024 - Treatment of Service Tax on TCM services

Effective from 1 March 2024, the TCM services provided from 1 September 2018 to 29 February 2024 by practitioners under Group C, First Schedule of the Service Tax Regulations 2018 (“STR”), is exempted from service tax.

Nonetheless, this is only applicable to TCM service-providers registered under the Traditional and Complementary Medicine Act 2016 that conduct the following TCM services:

- Malay Traditional Medicine
- Chinese Traditional Medicine
- Indian Traditional Medicine
- Homeopathy
- Chiropractic
- Osteopathy; and
- Islamic Medicine Practices

However, any service tax that had been collected from the customer on TCM services must be remitted to the RMCD. No refund will be granted.

(iii) Service Tax Policy No.3/2024 - Service tax rate for provision of multiple taxable services (having different rate of tax) by the same service-provider

The Service Tax Policy No 3/2024 specifies the determination of the service tax rate on the provision of various taxable services (having different rates of service tax) by the same service-provider under certain groups of the First Schedule to the STR, i.e., Group A (hotels, etc.), B (food and beverage-providers), C (operators of night clubs, health and wellness centres, etc.), D (private club operators), E (golf club, etc.-operators), and I (other service-providers including telecommunication service-providers).

Generally, the service tax rate is determined based on the type of taxable service provided and not according to the main service. However, if taxable services are provided as a package, the applicable service tax rate is based on the group in respect of the taxable services. In an example provided in this policy, hotel accommodation (under Group A) is charged 8% service tax whereas food and beverages (under Group B) purchased separately in a hotel would be charged at 6%. However, if the hotel accommodation is provided as a package with food and beverages (e.g., hotel accommodation is sold as a package with breakfast included), the service tax treatment would follow the hotel group (Group A), which is at 8%.

Further to the above, frequently asked questions (“FAQs”) were also issued by the RMCD to address concerns on service tax matters. These FAQs are only available in *Bahasa Malaysia* – please refer to the link of each FAQ below for details:

- [FAQ on Budget 2024](#)
- [FAQ on expansion of the scope of taxable services and change in Service Tax rate](#)

Deloitte’s comments

The abovementioned STPs are meant to provide some exemptions and guidance to help businesses in implementing the service tax in business scenarios.

In particular, the exemption for TCM service-providers is a significant example of successful industry lobbying against taxation.

In addition to that, the RMCD has also released the above FAQs to address service tax questions that businesses or the public would have due to the recent significant developments from 1 March 2024 onwards.

Nevertheless, there could be scenarios and areas that may be ambiguous. In such cases, clarification may need to be obtained from the RMCD.

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3. Guide on Maintenance or Repair Services

The RMCD has recently released the [Guide on Maintenance or Repair Services](#) dated 26 February 2024 in the national language (Malay version). Maintenance or repair services were not mentioned in the Budget 2024 announcement made by the MoF on 13 October 2023. It was only in the Draft Guide on the Transition of Service Tax Rate Change released by the RMCD on 7 February 2024, where maintenance and/or repair services was listed as a taxable service under item 13, Group G: Professional Services, which is proposed to be subject to 8% service tax.

On 23 February 2024, the MoF published the Service Tax (Amendment) Regulations 2024, which include any person who provides maintenance or repair services as a taxable person under item 13, and maintenance or repair services to be taxable services under item (n) in Group G: Professional Services of the First Schedule to the Service Tax Regulations 2018 (“STR”).

We will discuss the salient details below.

Imposition and scope of tax

Provision of any maintenance or repair services included maintenance management, corrective maintenance, preventive maintenance, calibration, adjustment, restoration, re-arrangement or overhaul is subject to service tax under item (n), Group G, First Schedule of STR.

Previously, provision of maintenance management services and calibration services were taxable under item (i) – Management Services and item (g) – Consultancy Services respectively, under Group G of the First Schedule to the STR.

Overview of maintenance and repair services

Maintenance services refer to activities performed by service providers to preserve, maintain, operate, regulate, prevent, restore, or manage a building, item, land, or system, so that it can function properly and effectively, meet current standards, improve condition and performance, extend lifespan, improve productivity, ensure safety, minimise the risk of damages or accidents, etc.

Maintenance services can include various service areas such as:

- (a) equipment maintenance;
- (b) facility management;
- (c) road maintenance;
- (d) computer or information technology maintenance;
- (e) telephone maintenance;
- (f) field maintenance;
- (g) gutter and ditch maintenance;
- (h) system maintenance; and
- (i) other maintenance related to buildings, land, goods, and systems.

Repair services refers to the activity of repairing, fixing, or restore a damaged, non-functioning building, item, land or system, or maintenance. Repair service is a part of maintenance services.

The activities listed below (the list below is not exhaustive) are included as repair services (corrective maintenance):

- (a) calibration
- (b) adjustment
- (c) recondition
- (d) reconfigure
- (e) overhaul

In general, there are two types of maintenance services, i.e., preventive maintenance services and corrective maintenance services.

Taxable services

The guide provides details on a list of services along with illustrated examples that would fall under the scope of taxable maintenance or repair services. The list of services are as follows:

(a) Preventive maintenance services

- Preventive maintenance services are planned maintenance activities to prevent damage from occurring. This maintenance service is performed on a routine, scheduled, or periodic basis.

(b) Corrective maintenance services

- Corrective maintenance services or repair services are in the case of an emergency, ad hoc, upon request, or unscheduled. Repair service is the process of returning a product to its original condition or better by replacing the damaged item or improving existing specifications.

Exclusion of services

The guide also mentions that the following services under maintenance services are excluded from service tax:

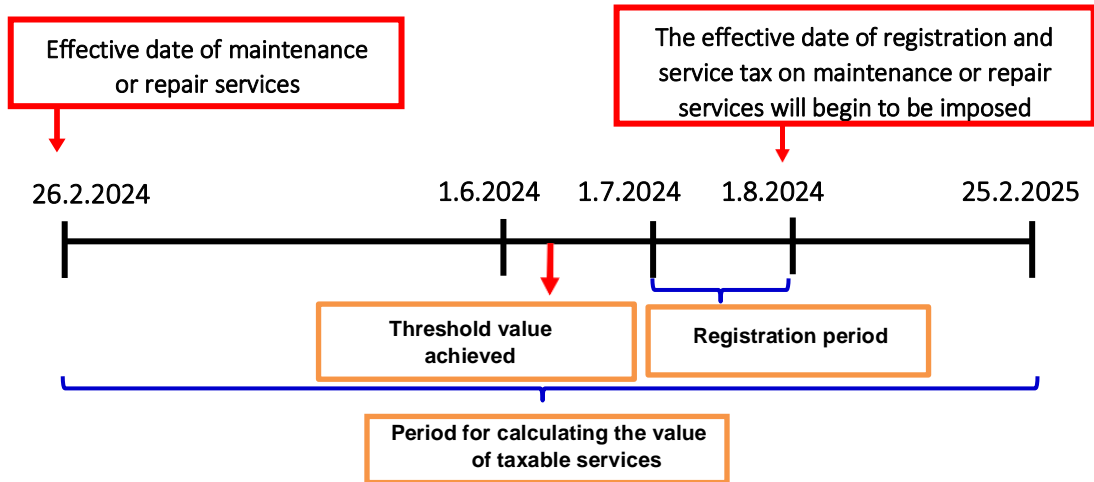
- 1) Maintenance management services related to land or buildings for residential use provided by any developer, management body joint, management corporation, or residential association.
- 2) Repair services for residential buildings.

Threshold value of taxable services

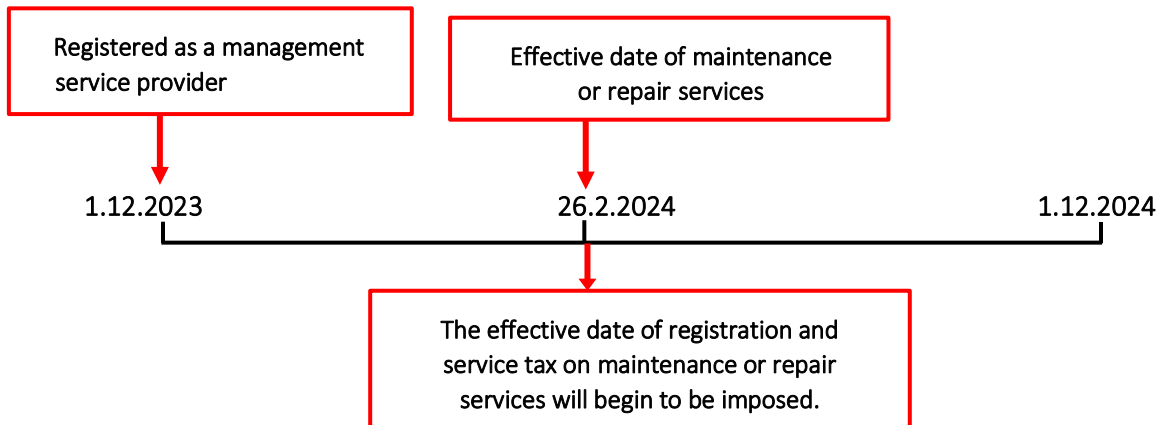
The threshold value for the purpose of mandatory registration under maintenance or repair services is RM500,000 for a total period of 12 months.

Registration

For registration purposes, any person who provides maintenance or repair services must calculate the total value of the service taxable given in the current and eleven preceding months. If the total value of the taxable service exceeds RM500,000, the application for registration of the taxable service must be requested no later than the last day of the following month.



Any person who provides maintenance or repair services and has become a registered person under Group G of the First Schedule before 26 February 2024 do not need to make a new registration. The registered person shall charge service tax on the maintenance or repair services effective from 26 February 2024.



Other than Group G of the First Schedule, any person who has become a registered person before 26 February 2024, and provides maintenance or repair services where the value of taxable services for the period 26 February 2024 and the subsequent eleven months is expected to exceed RM500,000, an addition of maintenance or repair services should be done by 26 February 2024 in the MySST portal. The registered person shall charge service tax on the maintenance or repair services effective from 26 February 2024.

Intra-group relief

The provision of maintenance or repair services to any person within the same group of companies is considered a non-taxable service if the total value of the same taxable maintenance or repair service provided to third parties does not exceed 5% of the total value of taxable maintenance or repair services provided by the company within a period of 12 months.

For maintenance or repair services acquired from any company within the same group of companies outside of Malaysia, the service is not an imported taxable service.

Exemption from paying service tax

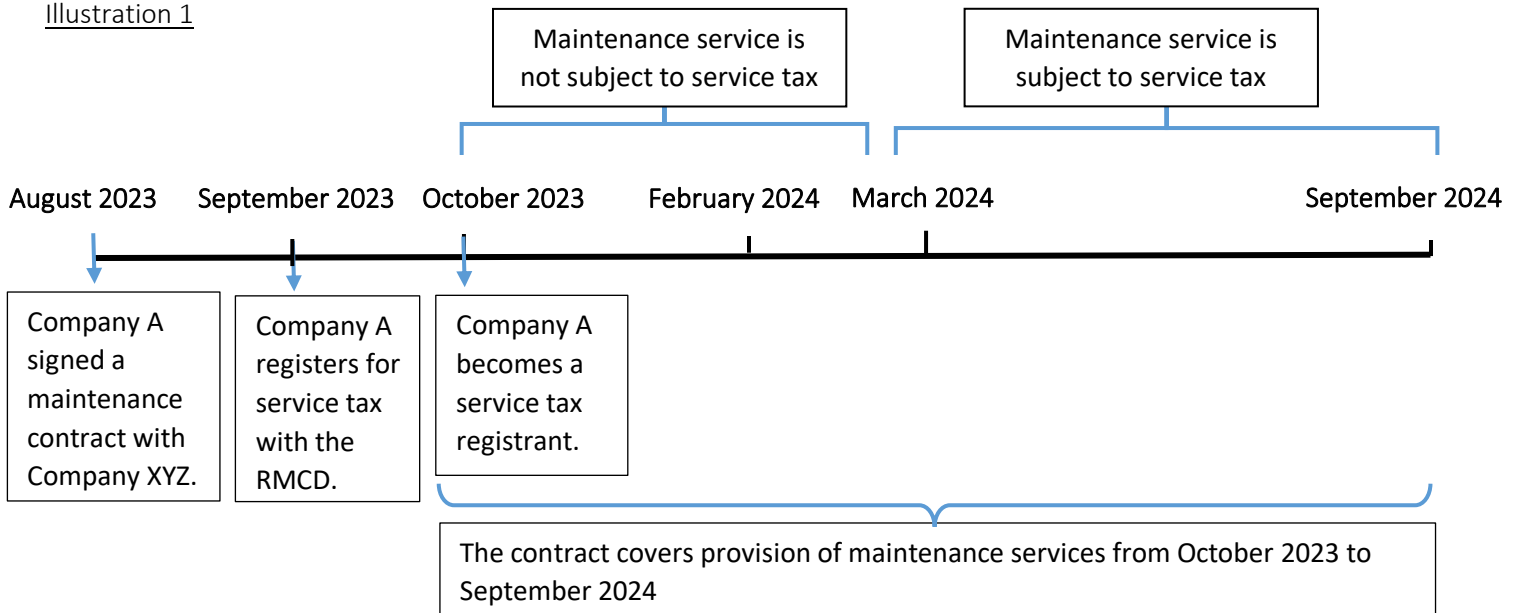
From 1 January 2019, service providers under Group G (excluding items 10 and 11), are exempted from paying service tax if they provide taxable services under the same details in column (2) of the First Schedule to the STR to their customers. This exception may be used, subject to the following conditions stated under item 1 of the Schedule to the [Service Tax \(Person Exempted from Payment of Tax\) Order 2018](#):

- Taxable services exempted are services under Group G (except under items j and k);
- Service provider and service recipient are registered person; and
- Taxable service exempted are the same services provided by the person exempted from payment of tax.

Transitional issues

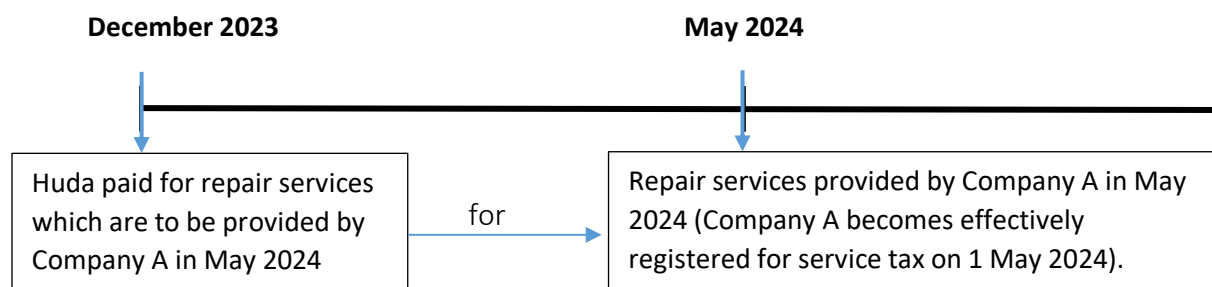
If there is a change in any taxable service as specified in the First Schedule of the STR, the transitional rules are the same as covered under paragraph 3A of the STR. There are specific scenarios of concern in the guide, as depicted below:

Illustration 1



Note: Payment is only made after the services are provided

It is worth highlighting that the type of maintenance service is not specified (i.e., preventive or corrective maintenance services). Prior to the insertion of subitem (n) under Group G of the First Schedule to the STR, maintenance management service was a taxable service under subitem (i)(iv) management services of the same Group. Preventive maintenance service was considered as a taxable maintenance management service and was subject to service tax at 6%.

Illustration 2

- As payment is made before 26 February 2024, the repair services provided are not subject to service tax.

Deloitte's comments

The effective date for the imposition of service tax on maintenance or repair services mentioned in the Guide on Maintenance or Repair Services dated 26 February 2024 is indicated as 26 February 2024. This is in line with the Service Tax (Amendment) Regulations 2024, which comes into operation on 26 February 2024, where maintenance or repair services are added as a taxable service under Group G column (2) subitem (n). However, with reference to the [Service Tax Policy No.1/2024](#) (available in the national language), the RMCD has outlined that service tax registrants who provide the newly introduced taxable services (including maintenance or repair services), shall make the addition of the new services from 26 February 2024 to 29 February 2024. The imposition date of service tax on the newly added taxable services is from 1 March 2024.

Furthermore, based on our review of the recently published [Service Tax \(Amendment\) Regulations 2024](#), we noted that the RMCD has not made the relevant amendments to include maintenance or repair services as an eligible taxable service for the intra-group relief as indicated in the Guide on Maintenance or Repair Services.

Based on the definitions and examples provided in the guide, it is imperative for businesses to familiarise with the scope of tax during this transitional phase and devise strategies to effectively address the forthcoming changes, such as initiating communications with relevant stakeholders. While there are existing provisions in the law which tackle the transitional aspects, businesses would need to pay careful attention to understand how these provisions come into play, particularly in view of the potential concessions introduced in the guide.

Despite these efforts, certain areas still lack clarity, underscoring the importance of engaging with authorities and documenting findings as part of risk mitigation strategies.

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