

# Malaysia's Latest Indirect Tax Updates

30 March 2026

Recently, the Malaysian Government implemented several key Indirect Tax reforms designed to formalise existing policies, provide clarity and reinforce compliance. These updates impact multiple sectors and carry significant implications for businesses.

Our latest Indirect Tax Updates cover five key areas:

1. Official gazettment of an order regarding the reduction of the service tax rate from 8% to 6%
2. Service Tax Guide on Information Technology Services dated 26 February 2026
3. Service Tax Guide on Healthcare Services by Private Healthcare Facilities, Practice of Traditional and Complementary Medicine Private Services and Private Allied Health Related Services dated 1 March 2026
4. Service Tax Guide on Construction Works Services dated 17 March 2026
5. Sales Tax Guide on Registration dated 6 March 2026

## 1. Official gazettment of an order regarding the reduction of the service tax rate from 8% to 6%

Following the Malaysian Ministry of Finance (MoF) [Press Release dated 5 January 2026](#) (the Press Release), the [Service Tax \(Rate of Tax\) \(Amendment\) Order 2026](#) [P.U. (A) 125/2026] (Amendment Order) was gazetted on 13 March 2026.

This Amendment Order is deemed to be effective as of 1 January 2026 and pertains to a modification of the First Schedule of the Service Tax (Rate of Tax) Order 2018, whereby rental or leasing services are now subject to a service tax rate of 6%.

### Commentary

- ▶ The gazettment of the Amendment Order clarifies the imposition of service tax on rental and leasing services at a reduced rate of 6% with effect from 1 January 2026.
- ▶ Accordingly, the service tax exemption granted under Item 8 of the [Service Tax Policy \(STP\) No. 2/2025 \(Amendment No. 4\)](#) ceases to apply. In turn, affected registered persons are no longer required to apply or reflect a **2% service tax exemption** on rental or leasing services in both invoicing and Sales and Service Tax (SST) 02 reporting, pursuant to the Procedure for Issuing Invoices and Reporting the Rate of Tax on Rental or Leasing Services dated 27 January 2026.
- ▶ Despite the above, impacted registered persons must still ensure that the applicable transitional provisions are satisfied to accurately determine the correct tax rate on their rental or leasing services before claiming a refund.

## 2. Service Tax Guide on Information Technology Services dated 26 February 2026

The Royal Malaysian Customs Department (RMCD) issued the [Service Tax Guide on Information Technology Services](#) (IT Services Guide) dated 26 February 2026, which supersedes the previous guide dated 8 March 2021.

The salient updates in the IT Services Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> <li>▶ Covers more modern IT delivery models, such as data centres, cloud, managed services, subscriptions.</li> <li>▶ Provides more practical examples impacting the industry.</li> </ul>
2.	Taxable services	<ul style="list-style-type: none"> <li>▶ Inclusion of a new taxable IT service such as online platform development.</li> <li>▶ Clarification that certain IT-related services are now subject to service tax:               <ul style="list-style-type: none"> <li>• Repair services for IT equipment and hardware are now included as part of taxable repair and maintenance services. Prior to the expansion of the SST scope in 2024, only maintenance management of hardware was subject to service tax under taxable management services.</li> <li>• Charges pertaining to the storage or co-location of hardware or servers are subject to service tax under rental or leasing services. Similarly, this also applies to the rental or leasing of computers, hardware, and servers. Prior to the expansion of the SST scope in 2025, rental or leasing were not subject to service tax.</li> </ul> </li> </ul>

### Commentary

- ▶ The issuance of the IT Services Guide is a necessary and timely update, as the previous guide dated 8 March 2021 was issued prior to the expansion of the SST scope in 2024 and 2025 respectively, to repair and maintenance services, as well as rental or leasing services.
- ▶ With Malaysia's emergence as one of the premier destinations for data centre investments in Southeast Asia, this update is beneficial for impacted stakeholders as it provides greater clarity on the service tax treatment of data centre services.
- ▶ Arising from this updated guide, impacted stakeholders should proactively revisit their internal policies, operational processes, and system capabilities to ensure the accurate identification and application of service tax based on the nature of their IT services.

### 3. Service Tax Guide on Healthcare Services by Private Healthcare Facilities, Practice of Traditional and Complementary Medicine Private Services and Private Allied Health Related Services dated 1 March 2026

RMCD issued the [Service Tax Guide on Healthcare Services by Private Healthcare Facilities, Practice of Traditional and Complementary Medicine Private Services and Private Allied Health Related Services](#) (Private Healthcare Guide) dated 1 March 2026, which supersedes the previous guide dated 9 June 2025.

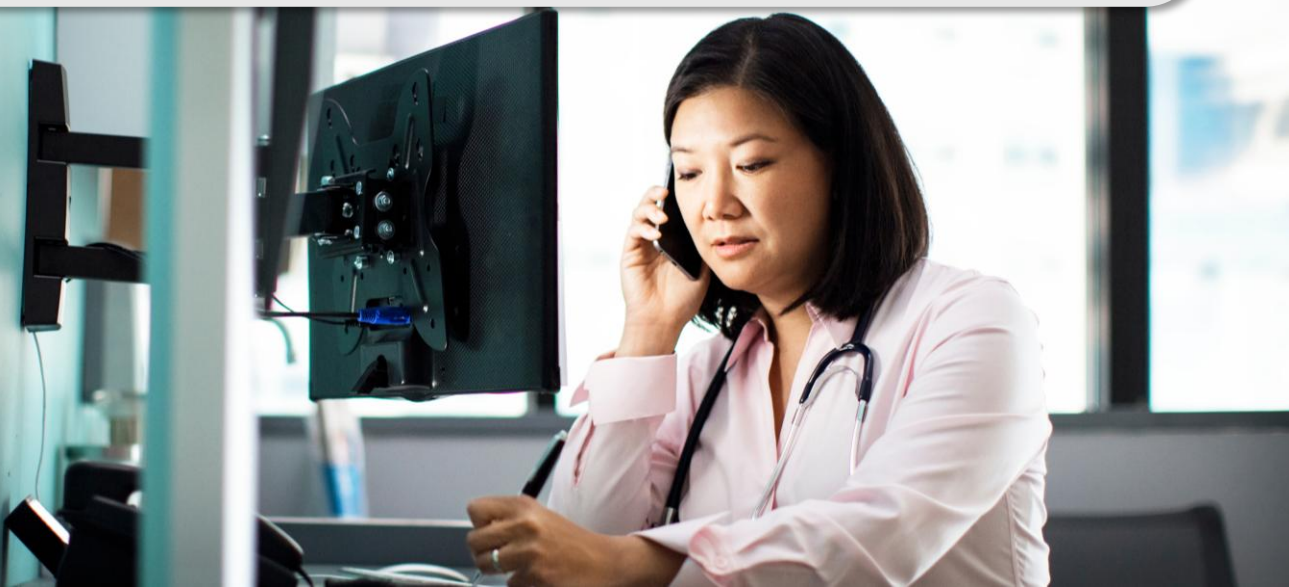
The salient updates in the Private Healthcare Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> <li>▶ A clarification that all private healthcare, traditional &amp; complementary medicine, and allied health services are now explicitly categorised as taxable services under Group I, First Schedule of the Service Tax Regulations 2018.</li> <li>▶ Incorporates policies and exemptions stipulated by RMCD under STP No. 5/2025 and STP No. 6/2025.</li> <li>▶ Provides more practical examples impacting the industry.</li> </ul>
2.	Taxable Services	<ul style="list-style-type: none"> <li>▶ Further clarification is provided on the distinction between Malaysian citizens and non-citizens.</li> </ul>
3.	Examples of Taxable Services	<ul style="list-style-type: none"> <li>▶ Specific to private healthcare facilities, the removal of consultation fees provided by any healthcare professional and registered medical practitioner as this is exempted from service tax. This is in line with the exemption specified under item 1 of STP No. 5/2025.</li> <li>▶ Specific to private healthcare facilities, sales of medical aids by private healthcare facilities to a non-citizen patient are now subject to service tax.</li> </ul>
4.	Frequently Asked Questions	<ul style="list-style-type: none"> <li>▶ Pharmacy services (i.e., sale of medicine) provided by a private healthcare facility registered or licensed under the Private Healthcare Facilities and Services Act 1998 [Act 586] to non-citizen patients are generally subject to service tax. However, medicine sold through a retail pharmacy are not subject to service tax.</li> <li>▶ Medicines supplied as part of private healthcare services are taxable as services, whereas medicines sold independently based on an external doctor's prescription are treated as goods and are not subject to service tax.</li> </ul>

No	Description	Details
4.	Frequently Asked Questions (cont'd)	<ul style="list-style-type: none"> <li>▶ Health screening services provided to foreign workers by Foreign Workers' Medical Examination Monitoring Agency (FOMEMA Sdn. Bhd.) are exempted from service tax.</li> <li>▶ Addresses medical treatment paid by a non-citizen via an insurance panel or a Third-Party Administrator.</li> <li>▶ Clarifies the service tax treatment of inter-hospital charges where a patient is treated by more than one hospital.</li> <li>▶ Services rendered by a private healthcare facility that is not registered or licensed under Act 586 will need to impose service tax based on respective service tax groups, such as wellness centre and massage parlours, which are under Group C.</li> <li>▶ Where healthcare services are bundled with other services or health products and sold as a package, service tax applies to the entire package value, irrespective of invoicing format.</li> </ul>

### Commentary

- ▶ The issuance of the Private Healthcare Guide is a necessary and timely update, as the previous guide was issued in time for the imposition of service tax on Private Healthcare services under the SST scope expansion on 1 July 2025.
- ▶ After collating feedback on implementation challenges faced by the impacted stakeholders, RMCD has enhanced this updated guide by highlighting practical compliance and administrative requirements, in line with the policy refinements introduced through STP No. 5/2025 and STP No. 6/2025.
- ▶ Arising from this updated guide, impacted stakeholders should proactively revisit their internal policies, operational processes, and system capabilities to ensure the accurate identification and application of service tax based on the nature of their patients.



#### 4. Service Tax Guide on Construction Works Services dated 17 March 2026

RMCD issued the [Service Tax Guide on Construction Works Services](#) (Construction Works Guide) dated 17 March 2026, which supersedes the previous guide dated 9 June 2025.

The salient updates in the Construction Works Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> <li>▶ A clarification that construction works services are now explicitly categorised as taxable services under Group L, First Schedule of the Service Tax Regulations 2018.</li> <li>▶ Incorporates policies and exemptions stipulated by RMCD under STP No. 3/2025 and STP No. 7/2025.</li> <li>▶ Provides more practical examples impacting the industry.</li> </ul>
2.	Threshold Value and Rate of Service Tax	<ul style="list-style-type: none"> <li>▶ The taxable service elements for the purpose of registration are as follows:               <ul style="list-style-type: none"> <li>i. the total value of construction work services for non-residential or commercial buildings;</li> <li>ii. the total value of construction work services for mixed developments (residential and non-residential buildings); or</li> <li>iii. both elements (i) and (ii); and</li> <li>iv. any other value related to construction work services (if applicable).</li> </ul> </li> <li>▶ The value of goods or materials is not subject to service tax and does not form part of the registration threshold if it can be clearly separated or itemised from the value of construction works. However, if the value of construction works is issued on a lump-sum basis (i.e., the value of goods and the value of services cannot be separated or itemised), the entire value is subject to service tax.</li> <li>▶ The value of construction work that is exempt from service tax is still included when calculating the registration threshold.</li> <li>▶ The value of building materials is to be based on the actual value (i.e., at cost and without markup) of such materials, supported by relevant documents (e.g., invoices, contract documents, other related records).</li> </ul>

No	Description	Details
3.	Construction Works for Mixed Development	<ul style="list-style-type: none"> <li>▶ Construction works associated with mixed development projects are partially exempt from service tax on buildings and public facilities connected to these residential structures through an apportionment method, provided all requirements outlined in item 4 of STP No. 3/2025 are satisfied.</li> <li>▶ Previously, service tax was imposed on the total contract value for the construction of commercial buildings, residential buildings, and public utilities.</li> </ul>
4.	Tax Treatment on Engineering, Procurement, Construction, and Commissioning (EPCC) Contracts for the Construction of Ships or Platforms	<p>In line with Item 1 of STP No. 8/2025, a sales tax-registered contractor involved in the construction of ships or platforms under an EPCC project may determine whether the project is treated as:</p> <ul style="list-style-type: none"> <li>▶ construction works services project (EPCC / design &amp; build) - services treated as construction works services and subject to service tax; or</li> <li>▶ manufacturing of ships or platforms - entire value treated as a sale of goods and subject to sales tax.</li> </ul>
5.	Taxable Services for Registered Manufacturers Carrying Out Installation Work	<p>In line with Item 2 of STP No. 8/2025, a contractor involved in the carrying out manufacturing of goods with installation works may determine whether the project is treated as:</p> <ul style="list-style-type: none"> <li>▶ installation work that separates goods and services component - the services are treated as construction works services and subject to service tax; or</li> <li>▶ installation work that does not separate goods and services component - <ul style="list-style-type: none"> <li>a) the entire value is treated as a sale of goods and subject to sales tax (if sales tax-registered)</li> <li>b) the entire value is treated as a provision of service and subject to service tax (if service tax-registered)</li> </ul> </li> </ul>
6.	Service Tax Treatment on Repair and Maintenance Services During Construction	<ul style="list-style-type: none"> <li>▶ Clarifies that repair and maintenance services carried out during construction period per the construction contract is subject to service tax at 6% under construction works services.</li> <li>▶ For repair and maintenance services which are not included within the scope of construction contract (whether during or post-construction) and covered under a separate contract, this is subject to service tax at 8% under repair and maintenance services.</li> </ul>

No	Description	Details
7.	Business-to-Business (B2B) Services to the Main Contractor for the Procurement of Professional Services under Design and Build Contracts	<ul style="list-style-type: none"> <li>▶ A B2B exemption has been granted to a main contractor from having to pay service tax on the procurement of certain professional services under design and build contracts, provided all requirements outlined in Item 5 of STP No. 3/2025 are satisfied.</li> <li>▶ Previously, such B2B exemption was not available for the procurement of certain professional services under design and build contracts.</li> </ul>
8.	Provision of Services to Federal and State Government	<ul style="list-style-type: none"> <li>▶ This service tax exemption is prescribed in line with Item 1 of STP No. 3/2025, whereby construction works provided to Federal and State Government are exempted from service tax.</li> <li>▶ Further clarification has been provided on the relevant Federal and State Government ministries or agencies that are eligible for the service tax exemption.</li> </ul>
9.	Provision of Services to Local Authorities	This service tax exemption is prescribed in line with Item 2 of STP No. 3/2025, whereby construction works provided to Local Authorities are exempted from service tax from 1 July 2025 to 30 September 2025.
10.	Non-Reviewable Contract	<p>In line with Item 1 of STP No. 8/2025, a sales tax-registered contractor involved in the construction of ships or platforms under an EPCC project may determine whether the project is treated as:</p> <ul style="list-style-type: none"> <li>▶ construction works services project (EPCC / design &amp; build) - services treated as construction works services and subject to service tax; or</li> <li>▶ manufacturing of ships or platforms - entire value treated as a sale of goods and subject to sales tax.</li> </ul>
11.	Construction Works for Places of Worship and Related Public Facilities	Construction works in relation to places of worship and its related public facilities are exempted from service tax, provided all requirements outlined in Item 7 of STP No. 3/2025 are satisfied.
12.	Renovation Works of Non-Residential Buildings Converted into Places of Worship	Construction works in relation to the conversion of non-residential buildings used for religious worship are exempted from service tax, provided all requirements outlined in Item 8 of STP No. 3/2025 are satisfied.
13.	Methods of Management and Issuance of Invoice	Further clarification has been provided that, where the certified value differs from the amount stated in the contractor's payment claim, the invoice issued to the developer or property owner shall be based on the actual value of construction works, verified according to the progress of work completed.

### Commentary

- ▶ The issuance of the Construction Works Guide is a necessary and timely update, as the previous guide was issued in time for the imposition of service tax on Construction Works services under the SST scope expansion on 1 July 2025.
- ▶ After collating feedback on implementation challenges faced by the impacted stakeholders, RMCD has enhanced this updated guide by highlighting practical compliance and administrative requirements, in line with the policy refinements introduced through STP No. 3/2025 & STP No. 7/2025.
- ▶ Arising from this updated guide, impacted stakeholders should proactively revisit their internal policies, operational processes, and system capabilities to ensure accurate identification and application of service tax based on the nature of their construction works.

## 5. Sales Tax Guide on Registration dated 6 March 2026

RMCD issued the [Sales Tax Guide on Registration](#) (Sales Tax Registration Guide) (in the national language) dated 6 March 2026, which supersedes the previous guide dated 25 August 2018.

The salient updates in the Sales Tax Registration Guide are as follows:

No	Description	Details
1.	Overview	<ul style="list-style-type: none"> <li>▶ The focus is on current registration rules and responsibilities of the sales tax registered person, in line with the Sales Tax Act 2018 and the relevant regulations and orders.</li> <li>▶ Removal of guidance relating to the transition period arising from the repeal of Goods and Services Tax (GST).</li> </ul>
2.	Registration Procedure	<ul style="list-style-type: none"> <li>▶ Adoption of a more compliance-oriented approach by referencing the MySST portal.</li> </ul>
3.	Exemption from Registration	<ul style="list-style-type: none"> <li>▶ References were made to Schedule A of the Sales Tax (Exemption from Registration) Order 2018, under which a company carrying out only one specified Schedule A manufacturing operation is not required to be sales tax registered.</li> <li>▶ Similarly, the performance of multiple Schedule A manufacturing operations does not trigger registration, provided such operations are independent and not part of the same manufacturing chain.</li> </ul>

No	Description	Details
4.	Responsibilities of the Registered Manufacturer	<p>Further clarifications were provided on the registered manufacturer's responsibilities, including:</p> <ul style="list-style-type: none"> <li>▶ Ongoing compliance obligations, including the requirement to file a Nil SST-02 Return where no taxable sales are made.</li> <li>▶ Notification of changes company details to the respective Internal Taxes Division, RMCD stations (e.g., changes to company name and registered address).</li> <li>▶ Updates which can be performed on the MySST portal for certain particulars, such as trading name, business correspondence address, and adding additional taxable goods.</li> </ul>
5.	Registered Manufacturer put under Liquidation / Receivership	Detailed guidelines were provided for registered manufacturers put under liquidation or receivership.
6.	Frequently Asked Questions	Queries on sales tax registration arising from the recent SST scope expansion were addressed, and clarification was provided that a Licensed Manufacturing Warehouse (LMW) is not required to be sales tax registered.

### Commentary

- ▶ The issuance of the Sales Tax Registration Guide serves as a necessary and timely update, given that the previous guide was issued in time for the reintroduction of SST back in September 2018.
- ▶ As it has been more than seven (7) years since the reintroduction of SST, this updated guide has been drafted to reflect a more mature SST environment, with RMCD drawing direct references to the sales tax legislation and highlighting practical compliance issues as well as administrative requirements.

## Our Recommendations:

### 1. Review Conditions of the Tax Policies

- ▶ Carefully review the conditions outlined in the tax policies to ensure full compliance before implementing any exemption.

### 2. Adhere to the Transitional Provisions:

- ▶ Ensure that the transitional provisions are met for accurate service tax reporting.

### 3. Maintain Proper Records:

- ▶ Ensure all relevant documents are available to support the relevant tax positions adopted.
- ▶ Keep all relevant documents organised and accessible to substantiate the exemption claimed by the business in the event of an RMCD audit.

### 4. Seek Professional Advice:

- ▶ When in doubt, you may consult your usual indirect tax contact at BDO to assist with compliance and mitigate potential risks.



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