DEPARTMENT OF ROYAL MALAYSIAN CUSTOMS
29 MARCH 2024

SERVICE TAX POLICY BILL 4/2024

IMPROVEMENT OF SERVICE TAX POLICY ON LOGISTICS SERVICES

1. Starting from 26th February 2024, under section 8, Service Tax Act (STA) 2018, the Minister has determined that logistics services are a taxable service.

2. The Minister of Finance, under the powers conferred by STA 2018, has improved the service tax on logistics services as follows:

   i. In line with the Minister's powers under section 91, STA 2018, amendments are made to the Service Tax Regulations 2018 by deleting item 1(b) and incorporating the services therein into item 1(a) under Group J: Logistics Services, **First Schedule**, Service Tax Regulations 2018 as one item.

      a. Original item before amendment:

(1) Taxable person
1. Any person who provides- *(a)* logistics services including all or part of the supply chain services of logistics management, warehousing or warehouse management, freight forwarding services, port or airport services, shipping services, air transportation services or cold chain facility services; *(b)* delivery, distribution or transportation of goods;

b. Item after amendment:

(1) Taxable person
1. Any person who provides- ***(a)*** logistics services including all or part of the supply chain services of logistics management, warehousing or warehouse management, freight forwarding services, port or airport services, shipping services, air transportation services or cold chain facility services, **delivery, distribution or transportation of goods;**

ii. In line with the Minister's powers under section 34(1), STA 2018, amendments are made to the Service Tax Order (Exemption from Payment of Tax) 2018, the **scope of B2B exemption** for Group J: Logistics Services is **extended** to include the provision of services under **the same item.** The same item refers to the division of service providers as listed below:

Details	Service
1(a)	Logistics services including all or part of the supply chain services of logistics management, port and airport management, warehousing or warehouse management, freight forwarding, shipping, air or cold chain facility services, delivery, distribution or transportation of goods;
1(c)	Delivery, distribution or transportation of goods, documents or packages using E-commerce platforms including on behalf of any person; or
1(d)	Express delivery services licensed under section 10, Postal Services Act 2012 *[Act 741]*
2.	Persons acting as agents under subsection 90(2) Customs Act 1967 *[Act 235]*

iii. In line with the Minister's powers under sections 51 and 56, STA 2018, amendments are made to the Service Tax Order (Imposition of Tax on Taxable Services Relating to Designated Areas and Special Areas), all services under Group J: Logistics Services provided within and between Designated Areas / Special Areas or between Designated Areas and Special Areas or vice versa **are not subject to service tax <u>except</u> for Customs Agent services.**

iv. Customs Agent services provided within and between Designated Areas / Special Areas or between Designated Areas and Special Areas or vice versa **remain** subject to **service tax.**

v. In line with the Minister's powers under sections 34(3)(a) and 34(4), STA 2018, **service tax exemptions** are approved for:

a. *Door-to-door* delivery services for goods involving:

i. Provision of delivery services from a place outside Malaysia to a place within Malaysia or from a place within Malaysia to a place outside Malaysia without involving third parties;

ii. Provision of delivery services by the same network service provider from *consignor* to consignee;

iii. The goods travel using the same *airway bill / bill of lading / consignment note* from consignor to consignee; and

iv. Use of the same invoice for delivery charges from consignor to consignee (single billing invoice)

are not subject to service tax.

b. Logistics services related to **transit activities**, i.e., goods arriving in Malaysia and further to another place outside Malaysia via land / sea / air transportation modes are **not subject to service tax.**

c. Exemption from paying service tax is granted on **(ocean freight)** charges for **all goods transported by sea limited** to the following **journeys/destinations:**

i. Peninsular Malaysia to Sabah / Sarawak / Labuan;
ii. Sabah / Sarawak / Labuan to Peninsular Malaysia; and
iii. Journeys between Sabah, Sarawak, and Labuan.

3. The effective date of this policy improvement is from **1st March 2024.**

4. For retrospective transactions related to this policy improvement, **service tax exemptions are approved** as follows:

i. **Recipients of logistics services are exempted from paying service tax** under section 34(3)(a), Service Tax Act 2018 effective from 1st March 2024 and subsequently **logistics service providers** are exempted from imposing service tax under section 34(4), Service Tax Act 2018 effective from 1st March 2024;

ii. Any **service tax collected** from customers from 1st March 2024 to 31st March 2024 **must be remitted** to the Royal Malaysian Customs Department under section 26, Service Tax Act 2018; and

iii. **No service tax refunds are approved** for any party that has paid service tax on any logistics services for the period from 1st March 2024 to 31st March 2024.

Disclaimer:
This issued service tax policy is subject to any amendments if there are any relevant policy changes.

INTERNAL TAX DIVISION
ROYAL MALAYSIAN CUSTOMS MAIN OFFICE, PUTRAJAYA