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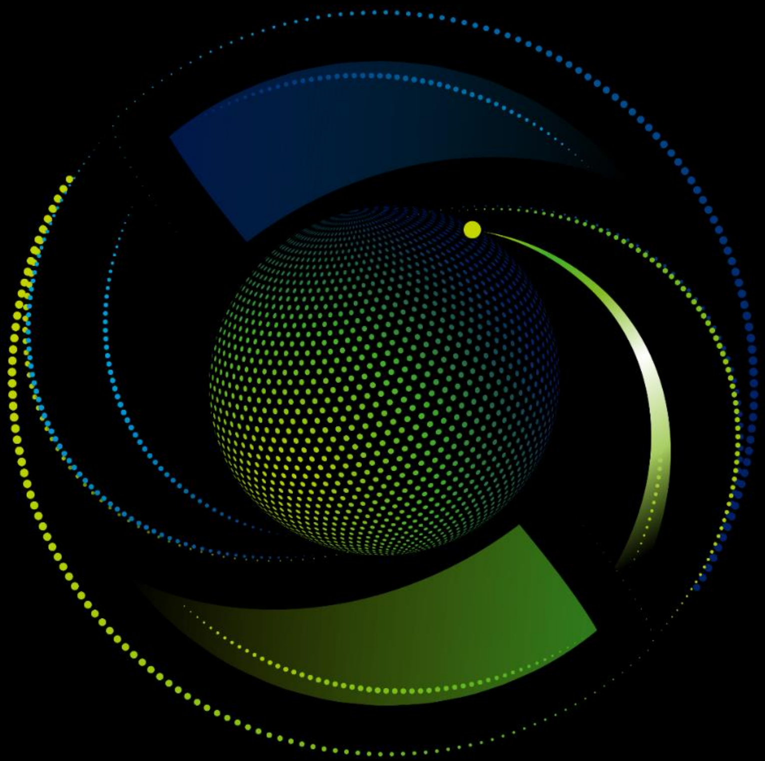

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Indirect Tax Chat

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

July 2025

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Key takeaways:

1. *Updates to the Guidelines on Logistics Services*
2. *Updated Guides on Credit Line Services or Sharia-compliant Financing via the Activation of Credit Cards or Charge Cards and Insurance or Takaful Services*

Greetings from Deloitte Malaysia's Indirect Tax team

Greetings readers, and welcome to the July 2025 edition of our Indirect Tax Chat.

Following the recent expansion of the Sales Tax and Service Tax ("SST"), we would like to draw your attention to a significant development in international trade. After the 90-day pause on the imposition of reciprocal tariffs on Malaysian goods, President Donald Trump posted a letter dated 7 July 2025 to Malaysian Prime Minister Datuk Seri Anwar Ibrahim, announcing that a revised tariff rate of 25% will take effect from 1 August 2025 instead. This increase of one percentage from the 24% initially announced in April 2025 was indeed a surprise albeit attempted negotiations by the Malaysian government. According to Investment, Trade and Industry Minister Tengku Zafrul Aziz here, Malaysia has no plans to retaliate against this revised tariff on its exports to the United States though will still continue talks on that matter. As the global trade landscape remains volatile, it is important that businesses prepare to face the impacts from these reciprocal tariff rates can bring about. This can include identifying affected goods, undertaking classification exercises or even utilising tools to compare tariff rates and free trade agreements ("FTA").

At Deloitte, we would like to introduce the Trade Compass, a tool which provides the ability to search for applicable FTAs, tariff rates, and Rules of Origin, as well as estimating the impact of tariff reductions. If you are interested, feel free to reach out to us.

In this edition, we will discuss the Guidelines on Logistics Services to provide clarity on the scope and tax treatment of logistics, freight forwarding, and warehousing services, as well as on the updated guides published for Credit Line Services and Sharia-compliant Financing via the Activation of Credit Cards or Charge Cards and Guide on Insurance or Takaful Services.

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

- According to The Star, Penang's healthcare travel sector may face challenges from the newly imposed 6% service tax on foreign patients and the weakening Indonesian rupiah, which may impact the majority Indonesian patient base. The Malaysia Healthcare Travel Council ("MHTC") reported that Indonesians remain the largest group of healthcare travellers to Malaysia. For more information, please click here.

As we move further into the second half of 2025, we encourage businesses to remain vigilant in reviewing their SST compliance. Stay tuned for more updates in our upcoming editions.

Best regards,
Tan Eng Yew
Indirect Tax Leader
Deloitte Malaysia

1. Updates to the Guidelines on Logistics Services

On 6 June 2025, the Royal Malaysian Customs Department ("RMCD") released an updated version of the Guide on Logistics Services ("Guide"), replacing the earlier edition issued on 5 April 2024. This Guide is available in the Malay language only.

While the revised guideline does not introduce any fundamental policy changes, it offers significant enhancements in clarity, structure, and practical application. The update provides more detailed explanations, illustrative examples, and refined interpretations to support businesses in applying service tax rules to logistics-related activities with greater certainty.

The RM500,000 service tax registration threshold and 6% tax rate applicable to logistics services remains unchanged, and the overall regulatory framework is consistent with the previous version. However, the June 2025 edition adopts a more practical and business-oriented approach, supporting improved compliance and implementation for logistics service providers.

Overall, the revised guideline addresses many of the interpretive challenges that arose following the expansion of the service tax regime to logistics services in March 2024 and will assist industry stakeholders in navigating the rules with greater clarity.

We highlight below the key updates to the Guide:

Taxable logistics services

While the core taxable logistics services listed under Group J remain consistent, the latest guideline introduces further clarifications and additional industry examples to enhance compliance certainty.

However, it is important to note that logistics services do not include the delivery, distribution, or transportation of goods—including express delivery of documents, parcels, or items—in the following scenarios: -

a) From a place outside Malaysia to another place outside Malaysia;
b) From the last exit point in Malaysia to a place outside Malaysia;
c) From a place outside Malaysia to the first entry point in Malaysia.

The latest guideline provides further clarification on the definitions of the first point of entry and last exit point in Malaysia, depending on the mode of transport, as follows: -

Mode of Transport	First Point of Entry into Malaysia	Last Exit Point from Malaysia
Air	Terminal before goods are unloaded from an aircraft arriving in Malaysia from abroad	Terminal after goods are loaded onto an aircraft departing to a location outside Malaysia
Sea	Port / terminal / jetty / Malaysian waters before goods or containers are transported from a location outside Malaysia	Port / terminal / jetty / Malaysian waters after goods or containers are transported to a place outside Malaysia
Land	Before goods are released from customs control to a place within Malaysia	After goods are released from customs control to a place outside Malaysia
Pipeline	Before goods are transferred into a pipeline arriving from a place outside Malaysia	After goods are transferred into a pipeline to a place outside Malaysia

<u>Exemption from the payment of service tax</u>

While the type of exemptions from the payment of service tax for logistics services as indicated in the previous guideline remains available, the RMCD has incorporated the update to Service Tax Policy 4/2024 (Amendment No. 1) dated 23 August 2024 in relation to logistics services while also provided further clarifications to some of the exemptions in the latest guideline.

Notable changes and further clarifications provided for the respective exemptions are as follows:

- **Service tax exemption for transshipment activities**
  Logistics services related to transshipment activities are eligible for service tax exemption when they involve goods arriving at a port or airport in Malaysia for the purpose of being transferred or unloaded from an aircraft or vessel into:
  - a customs warehouse;
  - a licensed warehouse; or
  - any other location approved by the Director General,

  until the goods are subsequently loaded onto another aircraft or vessel for export out of Malaysia.

To qualify for this exemption, the transshipment activity must meet the following conditions:

- The goods must move from a place outside Malaysia to another place outside Malaysia, using the same port or terminal within Malaysia;
- The goods must remain under customs control and must not stay in Malaysia for more than 30 days from the date of first arrival; and
- The goods must not be broken down or deconsolidated (i.e., no break-bulk is allowed).

For goods moved via transshipment, a specific Bill of Lading (BL) must be used and would need to indicate the port of loading and port of discharge (outside Malaysia). If the goods are moved into a Free Zone warehouse, a ZB1-Transshipment Form (*Zon Bebas ZB1 – Pindah Kapal*) is required, where applicable.

- **Service tax exemption for transit activities**
  Logistics services related to transit activities refer to the movement of goods that arrive from a place outside Malaysia, pass through Malaysia without being broken in bulk or deconsolidated, and are subsequently transported to another place outside Malaysia via land, sea, or air.

- **Service tax exemption for door-to-door (DTD) delivery services**
  Under the service tax exemption for DTD delivery services pursuant to Section 34(3)(a) and 34(4) of the Service Tax Act 2018, the conditions have been updated as follows:

a) The goods delivery services involving the movement of goods from outside Malaysia to within Malaysia, or vice versa, without going through a third party, that is provided by the delivery service provider to the customer (i.e., full delivery from first mile to last mile by the same party).
b) The same service provider refers to a service provider company as a single service provider and not as a category / group of service providers.
c) The delivery of goods must be using the same (single) transport documentation (e.g., airway bill, bill of lading, consignment note, or delivery order) issued to the recipient.
d) The same invoice (single billing invoice) must be issued by the service provider to the customer for the delivery charges.

The invoice issued by the service provider should reflect the entire scope of goods delivery services provided — such as transportation, customs clearance, handling, and other related services — within the DTD delivery service arrangement.

Service tax treatment on logistics services related to special area and designated area

All logistic services (except customs agent services) under Group J, First Schedule of the Service Tax Regulations 2018 provided within / between designated areas and special areas are not subject to service tax.

Any person whose principal place of business is in Malaysia providing logistic services in a designated or special area, or whose principal place of business is in such an area providing logistic services to customers in Malaysia, is subject to service tax.

It is imperative to note that in the latest guideline, the RMCD has provided their interpretation for the term "principal place of business", which refers to the main business location or headquarter that also functions as the administrative centre and has the following characteristics: -

- Where the company's top management is based;
- Where the company's accounting operation is conducted, and invoices are issued; and
- Where the day-to-day business operations, control, and decisions are made.

Several additional examples are provided to provide further clarity on the service tax treatments for the provision of logistics services related to special area / designated area.

Deloitte's comments

Overall, we welcome the updated guideline on logistics services issued by the RMCD as it is an improvement over the previous guideline in terms of application and clarity. It serves to clear up a lot of the uncertainties businesses faced when the logistics service tax rules were first introduced. The additional examples and explanations—especially on exemptions—make it easier to apply the rules in real-life situations.

That said, there may still be some areas that require further assessment and clarification, especially for companies with more complex logistics arrangements or multi-party setups. In those cases, we would still recommend for those companies to perform further assessments as needed.

In short, the revised version of the Guide feels more practical and user-friendly, and it should make service tax compliance smoother for businesses providing logistics services going forward.

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2. Updated Guides on Credit Line Services or Sharia-compliant Financing via the Activation of Credit Cards or Charge Cards and Insurance or Takaful Services

The RMCD released updates to the following Guides:

A. Guide on Credit Line Services or Sharia-compliant Financing via the Activation of Credit Cards or Charge Cards dated 19 June 2025, which supersedes the previous Guide on Credit Card and Charge Card dated 2 September 2024; and

B. Guide on Insurance or Takaful Services dated 19 June 2025, which supersedes the previous Guide on Provision of Insurance Policy and Takaful Certificate Services dated 29 August 2024.

Both Guides ("the Guides") above are available in the Malay language only.

The salient updates in the Guides are as below:

A. Guides on Credit Line Services or Sharia-compliant Financing via the Activation of Credit Cards or Charge Cards

   i. The credit card and charge card service has been amended to the provision of line of credit line serviced or Sharia-compliant financing services through the activation of a credit card or charge card, and such service is a prescribed taxable service under Item 1, Group H (Financial Services) effective 1 July 2025.

   ii. A simplified, summarised version of the tax rule provided, i.e. a service tax of RM25 applies to each principal or supplementary credit card or charge card at the time of activation, and every 12 months or part thereof after activation.

   iii. Service tax shall be imposed on the provision of line of credit or Sharia-compliant financing services through the activation of a credit card or charge card issued by a card issuer branch located in a designated area or special area, if the main place of business of the card issuer's headquarters is situated in Malaysia.

B. Guide on Insurance or Takaful Services

   i. Insurance or takaful service has been moved to Item 2, Group H (Financial Services) effective 1 July 2025.

   ii. The definition of "Takaful" and "Re-takaful" has been revised to mean:

      a) Takaful – an arrangement based on mutual assistance under which takaful participants agree to contribute to a common pool of funds which provides for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of a previously agreed event.

      b) Re-takaful – Takaful cover arranged by a takaful operator with a second takaful operator on the risk of the takaful pool administered by it (wholly or partly), includes any similar arrangement by a branch of a licensed takaful operator in Malaysia with its branch outside Malaysia (the head office of such licensed takaful operator shall be deemed to be a branch).

iii. A taxable person for the provision of services related to all types of insurance policies and takaful certificates is amended to be persons regulated by:
  a) Bank Negara Malaysia; or
  b) Labuan Financial Services Authority.

iv. When a service provider with its principal place of business in Malaysia establishes a branch or office in a Designated Area ("DA"), service tax should be charged on the insurance or takaful services rendered by that branch or office.

v. Provision of insurance policies or takaful certificates to business organisations for reinsurance contracts or re-takaful contracts has been removed from the list of non-taxable services.

Deloitte's comments

The changes made to the Guides as above are mainly to reflect the legislative amendments made to the Service Tax Regulation 2018 for the expansion of service tax to Finance services.

The changes provide a more technical description for "Takaful" and "Re-takaful" as these policies are now taxable. It also clarifies that the provision of insurance or takaful services by a business branch located in a DA, whose principal place of business is in Malaysia, is subject to service tax, as the tax treatment is determined based on the principal place of business rather than the location of the branch.

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http://www2.deloitte.com/my/en/services/tax.html

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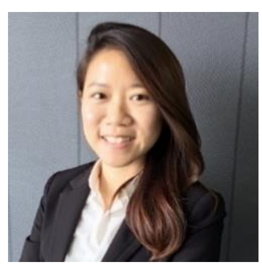

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