SERVICE TAX 2018

FREQUENTLY ASKED QUESTIONS

(FAQs):

RENTAL OR LEASING SERVICES

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FREQUENTLY ASKED QUESTIONS

1. **Q : When is the effective date of service tax for rental or leasing services?**

   A : The effective date for the implementation of service tax on rental or leasing services is 1 July 2025.

2. **Q : What is the threshold value for registration of rental or leasing services?**

   A : The threshold value for rental or leasing services is RM500,000.00.

3. **Q : What is the service tax rate imposed on rental or leasing services?**

   A : The tax rate for rental or leasing services is 8%.

4. **Q : My company is registered under item 13, Group I. Do I need to re-register if I provide rental or leasing services?**

   A : No. For those who are already registered under Group I, re-registration is not required but only need to amend the registration information under Item 13 and add the information on taxable services, which is rental or leasing services.

5. **Q : Is service tax imposed if a company provides lease services where the ownership of the asset is transferred to the lessee at the end of the lease period?**

   A : No. Where ownership of the asset is transferred to the lessee at the end of the lease term, it constitutes a financial lease, which is not subject to service tax.

6. **Q : Mr. MBS entered into a hire purchase contract for a water filter for a period of 5 years, under which ownership of the water filter will be transferred to Mr. MBS at the end of the contract term. Is the rental of the water filter subject to service tax?**

A : No. Any rental under a hire purchase contract is not subject to service tax.

7. **Q : JNY Enterprise appointed FDB Enterprise to provide rental services for a power generator for a duration of three months. The service was rendered between February 2025 and May 2025, and payment was made in July 2025. What is the service tax treatment for this transaction?**

A : The rental service provided by FDB Enterprise to JNY Enterprise from February to May 2025 is not subject to service tax, as the service was provided prior to the effective date of 1 July 2025.

8. **Q : If I provide rental or leasing services for assets located outside Malaysia, do I need to account for service tax?**

A : No. Rental or leasing services for assets or properties located outside Malaysia are not subject to service tax.

9. **Q : ABC Sdn Bhd rents out a residential property at RM1,500.00 per month and a warehouse at RM20,000.00 per month. How much service tax should ABC Sdn Bhd charge?**

A : The rental of residential property is not subject to service tax. Therefore, service tax is only applicable to the warehouse rental: RM20,000.00 × 8% = RM1,600.00.

10. **Q : YYY Sdn Bhd, a company based in Ipoh, provides machinery rental services. The company entered into a contract to rent a drilling machine to clients located in Kinta Free Zone, Perak, and Pangkor Island. Are these services subject to service tax, considering the clients are in special or designated areas?**

A : Yes. Rental or leasing services provided by a registered person whose principal place of business is in Malaysia to a special area or designated area, or vice versa, are subject to service tax. In this case, Kinta Free Zone is a special area and Pangkor Island is a designated area. Thus, YYY Sdn Bhd must charge service tax on the provision of such services.

11. **Q : P&D Sdn Bhd, based in Langkawi, rents out a leisure boat stationed in Penang to KAL Sdn Bhd, which is based in Pangkor Island. Is the rental service subject to service tax?**

A **:** Yes. The rental of the leisure boat is subject to service tax as the service is provided within Malaysia.

12. **Q : Is service tax applicable on deposits collected from customers for rental services?**

A : Deposits collected for security purposes and refundable are not subject to service tax. However, if the deposit is considered part of the payment for the service, it is subject to service tax.

13. **Q : Mr. SSZ rents a vehicle from JJO Sdn Bhd for one year from 1 January 2025 to 31 December 2025. The full rental payment was made on 1 January 2025. Is the rental subject to service tax?**

A : No. The rental is not subject to service tax as full payment was received before the effective date.

14. **Q : BHX Sdn Bhd leases a plot of land from DEA Sdn Bhd for a period of 10 years from 1 January 2025 to 31 December 2034. The lease agreement includes a clause that allows for review (reviewable contract). Monthly payments were received from January to June 2025. Is DEA Sdn Bhd required to charge service tax from July 2025 onwards?**

A : Yes. DEA Sdn Bhd must charge service tax for the lease from July 2025 onwards.

15 **Q : ABC Holdings Sdn Bhd leases a printer to DEF Sdn Bhd at RM1,000.00 per month. The contract states a penalty of 10% of the monthly rental for late payment. Is the penalty subject to**

			service tax?
	A	:	No. Penalties are not considered the provision of taxable services and therefore are not subject to service tax.
16	Q	:	**FRMN Enterprise is a small business that operates a printing business with annual sales of RM 450,000 per year. FRMN rents a shop unit from Syarikat EMD Property Sdn. Bhd. which is a service tax registered person. Are the rental services to FRMN Enterprise subject to service tax?**
	A	:	The rental services are subject to service tax. However, FRMN is exempted from payment of service tax under the power of the Minister of Finance persuant to the provisions of Subsection 34(3) of the STA 2018.

ENQUIRIES

For any enquiries regarding this guide, please contact:

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FURTHER ASSISTANCE AND INFORMATION RELATED TO SST

Additional information can be obtained at:

1. SST Website: https://mysst.customs.gov.my

2. Customs Call Centre
   - Tel : 1-300-888-500
   - Fax : 03-8882 2100 / 2300 / 2500
   - Email : ccc@customs.gov.my